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Articles

Australia and Regional Pacts, 1950-57

By Norman Harper

I

There are certain broad assumptions as to ends and means which govern the foreign and defence policies of any country. Simply put, they are that the primary object of policy is security: physical security against external attack and the safeguarding of the national economic and social system, the preservation or improvement of living standards, and the protection of a particular political structure against external pressures of a variety of kinds. Traditionally, these objectives have been realised by politico-military measures: the building up of sufficient military strength to avert attack and the use of political weapons to create power alliances which would make more effective that military strength. A variety of economic weapons can also be used to bolster politico-military means.

In these terms, many small or middle countries have actively sought inclusion in a specific power bloc or have involuntarily been drawn into it as a result of geographical propinquity to a particular centre of power. Collective security has been a long term traditional interest of foreign offices and defence ministries. In the early twentieth century this meant widely dispersed alliances. Since 1919 it has meant participation in a quasi-global organisation like the League of Nations or the United Nations. But because of the lack of "teeth", of effective power, in such organisations, it has come increasingly to involve the formation of regional blocs, ostensibly within the ambit of Chapters VII (Article 51) and VIII (Articles 52-4) of the United Nations Charter. Such blocs are obliged to pursue objectives 'consistent with the Purposes and Principles of the United Nations', and "no enforcement action shall be taken under regional arrangements . . . without the authorization of the Security Council."

Certain basic factors are relatively constant in the formulation of Australian defence and foreign policy. Geographically Australia is isolated: she is a large semi-continental area on the rim of Asia, linked to Asia by an island archipelago. She occupies the eastern end of a land bridge resting upon Malaya. Remote from Europe, at the extreme eastern end of the Commonwealth line of communications from London via Suez, she is geographically almost a part of Asia. Two alternative deductions can be made from the logic of her isolated geographical position. On

the one hand, her isolation could provide some guarantee of security. The major threat of attack has appeared as most likely to come from Japan or China. Such an attack could come only by stages and would inevitably affect the interests of other major powers. In these circumstances, Australia could certainly count on the assistance of other powers should she be attacked. The alternative deduction, the deduction made after the development of nuclear weapons and of inter-continental ballistic missiles, is that geographical isolation is a serious liability. Australia is a mere six hours by jet plane from Hanoi. "170 million Asian people live within a radius of 2,000 miles from Darwin. It is in these Asian countries to the north-west of Australia that the largest share of the world's supplies of tea, rubber, rice and other important commodities are produced. This area also provides the most obvious route for political aggression against Australia."¹ The seizure of Malaya by hostile forces would bring a large part of Australia within the range of heavy bombers based on Singapore. It has therefore been argued that Australia needs a substantial defence force, close military ties with other powers in the region and friendly political relations with her neighbours.

Yet Australia's position is an ambivalent one despite the logic of geography. An outpost of western civilization, her economic, cultural and political ties are with Western Europe and North America. The cultural pull is to Oxford and Cambridge and Harvard rather than to New Delhi or Tokyo or Peking. Her political experience and institutions are grounded on those of Great Britain rather than on the autocratic traditions of Asia. The lines of trade and capital investment are of necessity with the North Atlantic community, rather than with South or East Asia. A dependent economy, by choice and nature alike, she relies for a critical part of her income on export markets in Europe and North America for wool, meat and other primary products. A buoyant multi-lateral trade is vital to her. The lines and direction of her trade may well change with the changing pattern of politico-economic power and the implications of the changed status of the Suez canal. But Australian policy has been based on traditional attractions of a political, economic and cultural kind.

Traditionally, Australian security until 1941 rested upon British naval power, reinforced by local land forces in those parts of the Commonwealth east of Suez. That security has been impaired in part by political changes since 1945; the recognition of Indian and Pakistani independence in 1947, the revision of the Ceylon bases agreement by the Bandaranaike government in 1956, the evacuation of the Suez zone and the nationalization of the Canal Company, the uncertainties arising out of autonomy for Singapore and independence for the Federation of Malaya. Security has been impaired, too, by the strategic implications of the political changes. The

1. R. G. Casey, 10 August, 1954. *Current Notes* (Department of External Affairs, Canberra), 25 (1954), p. 580.

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contraction of British power has rendered more fragile the old defence line based on a chain of bases east of London terminating in Singapore. Since 1945, American power has increased in the west Pacific and effective military strength there can be concentrated by Washington, rather than London. The American defence perimeter in the western Pacific now extends from Alaska through the offshore islands to Manila with key bases in Okinawa, Saipan and Hawaii with Formosa as a precarious link in the chain. But between the weakened British defence line to Singapore and the American perimeter ending at Manila, there has been the unsecured South-East Asian gap.

Australian defence policy has, in the pre-war and the early post-war period, rested on the assumption that the major threat to Australian security would come from an imperialist and militarist Japan. This fear persisted until after the conclusion of the Japanese peace treaty in September 1951. By then, the Japanese threat was beginning to recede, to be replaced by a concern at the increasing threat from Communist propaganda and imperialism. The great imponderable was whether China would try "to stir up unrest and rebellion in Asia" and exert pressures on Vietnam, Thailand and Burma. The Korean War, the conflict in Indo-China and the growing tension over Formosa and the offshore islands confirmed the conviction that the major threat to security in Southeast Asia and the Pacific arose out of the direct and indirect pressures from Peking. The initial doubts of 1949-50 were crystallised into a certainty that an expanding Communism was the chief danger in the area. This is evident from the analyses of Australian policy made by two Ministers of External Affairs, Mr. P. Spender on 9 March 1950 and Mr. R. G. Casey, on 27 October 1954, and by the Prime Minister, Mr. R. G. Menzies, on 20 April 1955.²

Australian policy has followed a three-pronged approach to the problem of security: an attempt to create a strong regional pact, the adoption of a programme of economic and technical assistance (primarily through the Colombo Plan), and the establishment of the closest political relations with democratic governments with interests in the area. The emphasis has varied from time to time but with a tendency to solve defence problems primarily by politico-military action. Although there has been a good deal more than an intellectual recognition of the value of economic solutions, these have been regarded as primarily of long-term significance and therefore as secondary to the more pressing short-term politico-military solutions. The central theses of Australian defence policy during this period have been the location of the tactical defence line (as far north of Darwin as possible), the building of an effective regional defence pact and the pinning down of the United States, as the most powerful single country

2. *Current Notes*, vol. 21 (1950), pp. 153-72; vol. 25 (1954), pp. 736-44; vol. 26 (1955), pp. 281-91.

involved in the area, to specific defence commitments. This has posed the difficult task of reconciling Australia's membership of the Commonwealth and of the United Nations with the conflicting pulls to Singapore, New Delhi and Washington. The difficult choices involved in this complexity of interests and pulls has tended to produce a series of empirical compromises to attain the chief goal of security.

II

The concept of a regional pact is a relatively old one in Australian foreign policy and one that has a strictly bi-partisan history. The vague Lyons proposal of May 1937, designed to replace the defunct Washington Treaties, was still-born despite the polite interest of the Commonwealth countries. The ANZAC Pact of 1944 between Australia and New Zealand, represented a bi-lateral approach to the problem of regional security in the South-West and South Pacific area; it failed to attract wider support. In 1945 the Labour Government unsuccessfully attempted to negotiate a regional pact with the United States, a non-aggression pact directed against a resurgent Japan rather than Russia or China. At San Francisco, the Australian delegates collaborated with Senator Vandenberg in drafting Chapter VIII of the United Nations Charter dealing with regional security. Four years later, the Labour Government, friendly with India and supporting Indonesia's struggle for independence, suggested a pact which would include the Asian powers, Russia and Communist China, as well as the United States. Dr. Evatt's enthusiasm for such a broadly based pact, when Australia was the only non-Asian power represented at the New Delhi Conference of January 1949, was only partly shared by other members of the Government. In July, 1949, Chiang Kai-shek and President Quirino of the Philippines urged the formation of a non-military pact to include, in addition to Nationalist China and the Philippines, South Korea, Thailand, Indonesia, Australia and New Zealand. The Australian Prime Minister, Mr. J. B. Chifley, gave a non-committal reply to the invitation but clearly felt embarrassed by a proposal for close association with conservative governments to form an anti-Communist front. Although the United States was not invited to join this regional grouping, the Chiang Kai-shek-Quirino proposal was as suspect in Washington as in Canberra as an attempt to bolster up shaky governments with American economic and military power.³

The Liberal-Country Party approached the problem of a regional pact as a logical extension of the North Atlantic Pact to shore up a security which the United Nations could not itself provide. With the change of government after the elections of December 1949 Mr. P. Spender, Minister

3. See W. Levi, "Union in Asia", *Far Eastern Survey*, 16 August, 1950, pp. 145-6; J. Eayrs, "A Pacific Pact", *International Journal*, vol. VIII (1952), p. 295 ff.; N. D. Harper, "Security in the South West Pacific", *Pacific Affairs*, vol. XXIV (1951), p. 173 ff.

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for External Affairs, urged the creation of "a defensive military arrangement between countries that have a vital interest in the stability of Asia and the Pacific and which are, at the same time, capable of undertaking military commitments." Such a pact was to be designed primarily "to draw the teeth of Communist imperialism" both by defensive arrangements and by "carefully applied measures of economic assistance". It would be framed within the ambit of the United Nations Charter and would provide the kind of protection written into Article 5 of the North Atlantic Treaty, namely "that an armed attack upon one shall be deemed an armed attack on all."⁴

The Colombo Plan implemented one part of the proposal. Negotiations over the draft Japanese Peace Treaty led to the consideration of regional security plans, and detailed discussions took place when Mr. Dulles visited Canberra in February 1951. The widespread Australian concern with Japan "as our most obvious potential aggressor" who "alone in Asia possesses both the industrial capacity for naval construction and a strong motive for expansion southward" was a powerful bargaining argument.⁵ The ANZUS Pact was initialled on 12 July 1951 and was designed as part of a web of separate pacts concluded by the United States to consolidate security in the Pacific. It was accompanied by the United States-Japan and United States-Philippines security treaties.

The ANZUS Pact was limited in membership and its obligations were vaguer than many Australians desired. Australia was anxious to pin down the United States in advance to accept specific commitments against aggression in South-East Asia whether it came from China or Japan. Article IV provided that "each Party recognises that an armed attack in the Pacific area on any of the parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes."⁶ This watered down version of the corresponding article in the North Atlantic Pact was the result of careful drafting to avoid reopening the somewhat bitter debate in Congress over the ratification of NATO. Monroe Doctrine phraseology was used, but the net obligation on the United States was much the same with both treaties.⁷ Yet to some Australians it appeared on balance more probable that the broad Pacific interests of the United States could lead Washington to invoke the treaty than that a direct attack on Australia would produce a request for American aid under the treaty.

From the beginning the ANZUS Pact meant rather different things to the two parties. To the United States, the primary purpose of the treaty was to contain Communism. "To me, the most important single thing

4. *Com. Parl. Debs.* 9 March, 1950, vol. 206, p. 632; 28 November, 1950, vol. 211, p. 3170.

5. D. C. S. Sissons, "The Pacific Pact", *The Australian Outlook*, vol. 6 (1952), p. 24.

6. Text in *Current Notes*, vol. 22 (1951), pp. 403-4.

7. R. G. Casey, *Friends and Neighbours* (Melbourne 1954), pp. 81-2; cf. J. F. Dulles, "Security in the Pacific", *Foreign Affairs*, vol. 30 (1952), pp. 180-1.

that the United States can do and the thing which is indispensable to hold the free world position, not only in Japan but in Korea, Formosa and Indo-China, is that we must adopt these positive policies and get away from the idea that this over-running of China by Soviet communism is a final last word as to what is going to happen to China."⁸ (Dulles) To Australian political leaders of both parties, there was an essential relationship between the Japanese Peace Treaty and the ANZUS pact: the pact was clearly a re-insurance against Japan. Gradually the Government moved closer to the American view of the functions of the pact, reassessing the potential danger from Japan. At the first ANZUS conference held at Honolulu in August 1952, Mr. R. G. Casey strongly supported Mr. Dean Acheson's view that the purpose of the conference was to make a detailed survey of "our common interests and relationships in the light of Communist China's threats to the security of the Pacific area."⁹ By 1954, the anti-communist objective of ANZUS had superseded its original anti-Japanese purpose.

The ANZUS Pact was conceived broadly as a long term arrangement for preserving Pacific security and the ANZUS Council was empowered "to maintain a consultative relationship with states, regional organisations, associations or other authorities in the Pacific area in a position to further the purpose of this treaty and to contribute to the security of that area" (Article VIII). The original Australian proposals envisaged the inclusion of the United Kingdom and other Commonwealth countries as a nucleus and "such other countries as might wish to do so . . . providing . . . that they are capable of contributing military commitments." Washington was reluctant to develop a broad security pact which could seem designed to underwrite British colonial possessions in the Pacific, especially Hong Kong, Singapore and Malaya. Asian membership of a broadly based pact was essential, although the State Department's proposal to include Japan reflects the gulf between Australian and American thinking. America's decision to retain her network of un-co-ordinated treaty commitments, effected separately with Australia and New Zealand, the Philippines and Japan, meant the temporary freezing of membership of the ANZUS pact and the exclusion of the United Kingdom. This view was reluctantly endorsed by the Australian delegation at the Honolulu Conference of 1952. It involved no hostility to the United Kingdom but rather the acceptance of the strongly expressed American view that regional pacts in the Pacific should not appear to be exclusively or even predominantly European. The inclusion of the United Kingdom would have made difficult the exclusion of France and perhaps the Netherlands. The problem was further complicated by the varying stages of development of the Asian countries, their

8. *Japanese Peace Treaty and Security Pacts: Senate Foreign Relations Committee; Hearings: 82nd Congress, 2nd Session, 21-5 January 1952, p. 47.*

9. R. G. Casey, *op. cit.*, p. 69.

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differing backgrounds, traditions and interests. This diversity of interests made impossible the immediate conclusion of a broad mutual security system with specific military obligations of the NATO type.

III

The Indo-China crisis, culminating in the Geneva Conference, revived Australian concern at the imperfections of the ANZUS Pact. The network of American treaties in the Pacific did not in fact seal off the Pacific from the Asian mainland. The area between Hanoi, Saigon and Singapore appeared to be a soft spot in Australian defence. There was little Asian enthusiasm for western intervention in Indo-China, for American proposals for "massive retaliation" against Communist aggression in Asia. For some time there had been a growing reluctance in Australia to accept the American appraisal of the situation. "It is dangerous to assume that every disturbance in Asia, every nationalist or other uprising, and every attempt to change political arrangements by force, affords further proof of a sinister all-embracing design to spread Moscow-Peking tentacles with a view to establishing world Communism on the Russian pattern."¹⁰ On the other hand, the view expressed in a *Sydney Morning Herald* editorial was widely supported. "Australia in fact lies on the natural line of Communist advance through South-East Asia. . . . The conflict in South-East Asia is not simply a debate between Asians with different points of view. There are Communist armies in the field which are only prevented by Western assistance from imposing their point of view by force of arms. . . . The prospect of an extension of Communist influence through Malaya into Indonesia was one that no Australian could contemplate with an easy mind. . . . The real danger lies in a series of little wars, followed by piece-meal Communist victories. If it is made clear that the Western powers attach the same importance to the integrity of this area as to that of the Middle East, and are prepared to take the same measures to ensure it, then the Communist Axis may well judge the game not worth the candle."¹¹

As the Indo-China crisis reached its peak, Australia was faced with the need to reconcile seemingly incompatible policies to ensure security. For a decade, Australian governments had sought to establish friendly relations with Asian governments; the despatch of Australian troops to bolster up the outnumbered French forces in Indo-China would have jeopardised good relations with her Asian neighbours and weakened Commonwealth solidarity since both the United Kingdom and India were opposed to collective intervention. On the other hand, refusal to support American proposals to form a "united front" could jeopardise the ANZUS Pact by bringing a contraction of American military influence in the South West Pacific. The interposing of American power between the

10. *Melbourne Age*, 7 May 1953.

11. *Sydney Morning Herald*, 20 January 1953.

southward expansion of Communism and Australia could give added security in the weakest spot in the Australian defence line. The Dulles "united action" plan met with as chilly a reception in Canberra as in London, Paris and New Delhi. The breakdown of the plan averted the need for Australia to make a difficult choice.

The alternative Dulles proposal, a security pact in the western Pacific, received cautious approval in London (13 April). France accepted the proposal the following day; New Zealand, the Philippines and Thailand also agreed to take part in discussions. Australia joined the other powers while Mr. Casey was discussing the military situation in Saigon with French and Vietnamese leaders.¹² A meeting of the ANZUS Council during the first week of the Geneva Conference helped to kill proposals for intervention in Indo-China and to strengthen plans for the conclusion of a collective security pact to underwrite any settlement which might emerge from the Geneva Conference.

The composition of the proposed new security pact was of crucial importance. Asian support was essential for any security arrangement designed to maintain a territorial status quo, worked out by an international conference, and to check aggression. The success of the Japanese invasion of South-East Asia in 1941-2 was due primarily to the inertia and apathy of the Asian peoples themselves. "No country can be saved from Communism unless its government and people want to be saved," declared Mr. Casey on 12 May 1954. It was clear that effective military support would have to come primarily from the west, from the United Kingdom and the United States. It was equally clear that SEATO might become primarily a grouping of European powers, and as the London *Economist* pointed out, "a white man's SEATO would be an effective fighting body but it would not be an effective political body. Military resistance must have a firm political basis."¹³

The original American proposal was for an original treaty group of ten powers: the United Kingdom, France, Australia, New Zealand, the Philippines, Laos, Cambodia, Vietnam, Thailand, and the United States. Formosa and South Korea were reluctantly omitted. The Australian cabinet, immediately after the May elections, emphasised the need to associate "the free Asian countries, especially India, with the settlement and the guarantee" in Indo-China. This India was apparently prepared to do, provided that Britain, the United States, Russia and China were "the primary guarantors" and that the United Nations was associated with its enforcement. This was the Indian position when Mr. Casey called at New Delhi on his way to the renewed Geneva discussions; discussions in

12. *New York Times*, 14 April 1954. Australia had earlier made representations to Washington against military intervention in Indo-China. See R. G. Casey, 10 Aug. 1954, *Current Notes*, vol. 25 (1954), p. 570.

13. *cit. Sydney Bulletin*, 2 June 1954.

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Karachi confirmed this view.¹⁴ Indian opinion had from the outset been very critical of the American proposals, which, Mr. Nehru said, "came near to assuming protection or declaring a kind of Monroe doctrine unilaterally over the countries of South East Asia." The Kandy Conference of the Colombo powers (28-9 April), while strongly opposed to colonialism, was sharply divided over the Geneva Conference and regional pacts. Its final communique ignored the American proposals and simply declared its "unshakeable determination to resist interference in the affairs of their countries by external Communist, anti-Communist or other agencies."¹⁵ Burma and Indonesia were strongly opposed to participation in any grouping of the American type. India's tentative support was in such terms that America was almost bound to reject them, and she moved increasingly to strengthen the neutralist attitude of the Colombo bloc.

A meeting of the ANZUS Council in Washington set up a working party to prepare detailed proposals for a South-East Asia collective defence system. Five days after the conclusion of the Geneva settlement, the Australian Defence Minister, Mr. McBride, announced a sweeping revision of defence plans. The Prime Minister (Mr. Menzies) was dubious about the possibility of "peaceful co-existence". There could be no easy compromise between peoples affirming the existence of a divine authority and the compulsion of a spiritual law and others who see nothing beyond an atheistic materialism. "While the moral revolution goes on, armed aggression must be met by armed defensive power." Believing in the inevitability of an internal revolt against communism, he also emphasised the danger of overt aggression by Communist China, and took the unprecedented step of announcing in advance Australia's intention of accepting military commitments as a price of her membership of the proposed regional pact. "We are neither isolationists nor purely regional in our outlook . . . we are . . . about to contract ourselves into a regional defensive arrangement which will give strength not only here but also in Europe itself."¹⁶

The Manila Conference (5-8 September 1954) was, in a sense, an anti-climax after the feverish diplomatic activity and the series of military and political crises of the mid-year months. The United States reappraised its global policies after Geneva and refused to accept additional broad military commitments. This, together with the lukewarmness of Asian support for SEATO, largely determined the outcome of the Manila conference. The discussions centred round two major points: the scope of the military provisions and the relative importance of military, economic

14. See G. Greenwood and N. D. Harper, ed., *Australia in World Affairs 1950-6*, (Melbourne 1957), chapter 5. L. Webb, *The South East Asia Collective Defence Treaty* (mimeographed, Australian National University, Canberra 1955, p. 14. See also R. G. Casey, *Friends and Neighbours* (East Lansing, 1955), pp. 95-121.

15. P. V. Curl, *Documents on American Foreign Relations 1954* (New York 1955), pp. 272-6; *New York Times*, 25, 30 April, 1954.

16. *Com. Parl. Debs.*, 5 August 1954, pp. 63-9.

and political measures in checking Communist aggression. The American view, that the chief danger came from Chinese Communist aggression clashed with the Australian belief that the treaty should be directed against aggression from whatever source it might come. The American attempt to create an anti-Communist coalition, which would have made more difficult the adhesion of neutralist powers, was finally qualified by the deletion of all reference to communist aggression in Article IV. This provided that in the event of armed aggression against any member or any state or territories unanimously designated, they would act to meet the common danger "in accordance with their constitutional processes." There was no automatic commitment to military action, no attempt to create a unified command or an integrated army of the NATO type. America insisted on adding to the treaty an interpretation which limited American obligations under Article IV (i) to communist aggression. In the case of such aggression, the President could act, in emergency, without prior consultation of Congress. In all other types of aggression consultation with Congress would have to precede action. Australia also made a reservation on Article IV (i) excluding military action against any other member of the Commonwealth.

While military collaboration was important from a short-term point of view, the experience of Indo-China underlined the importance of subversion and infiltration as a major threat to the independence of small countries. Article II provided for mutual co-operation to deal with subversion, and Article IV (2-3) envisaged joint action against it, only however by unanimous agreement and on "the invitation or with the consent of the government concerned." The danger of what Walter Lippmann called "legalised and licensed intervention in internal affairs" was carefully hedged about. Mr. Dulles made it clear that the treaty was not designed to infringe either the domestic jurisdiction or the national sovereignty of member states or designated areas.

The problem of checking both military aggression and internal subversion was at once an economic and political as well as a military one. Australia pressed strongly for the inclusion of provisions for economic collaboration between members. Provision for this was made both in Article III and in the accompanying Pacific Charter. These were based on the assumption that economic and social discontent engender communism; they also represented a deliberate attempt to forestall charges of 'neo-colonialism'. As the *London Economist* put it, the treaty had to be "a constructive political and economic document which will help the Colombo governments in their fight against local communists."¹⁷

The SEATO Pact or the Southeast Asia Collective Defence Treaty was a very different document from what had been envisaged in April. Australia had pressed for nearly three years for the enlargement of

17. *The Economist*, 21 Aug. 1954, p. 566.

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ANZUS to include other governments interested in South East Asia; it had hoped for a broadening of the regional pact to include Commonwealth and non-Commonwealth countries, Asian as well as western. By its objectives, the Manila Treaty virtually excluded India and Indonesia, countries it had hoped to include in the revised ANZUS Pact. The United States was unprepared to consolidate its bilateral Pacific pacts to include them in the treaty. The lack of common traditions and the sharp differences in political outlook and interest made difficult the formation of an Asian counterpart to NATO. The treaty area was defined to exclude Hong Kong, Formosa and Japan: its northernmost limits were the parallel of latitude $21^{\circ} 30'$. Laos, Cambodia and Vietnam were to be included if their governments were prepared to accept military action by SEATO powers.

The primary weakness of the SEATO Pact lay in its limited membership; there was in fact a considerable element of truth in Madame Pandit's quip that SEATO was "a South East Asian alliance minus South East Asia." The SEATO umbrella was extended precariously to Vietnam, Laos and Cambodia, an unstable area dependent upon western military aid. Burma remained unconvinced of the value of the pact as a defence against Communism. India persisted in her opposition to "the declaring of a kind of Monroe Doctrine unilaterally over the countries of South-East Asia." The relative weakness of Thailand and the Philippines and Britain's geographical remoteness as well as heavy commitments elsewhere meant that the only effective force to deter and resist aggression would be American. The treaty had carried the American commitment in the west Pacific further than ANZUS and it did bring the United Kingdom more firmly into the area. But the conspicuous lack of 'teeth' in the treaty meant that directly and immediately it added little to South-East Asian or Australian security. Both ANZUS and SEATO fell short of Australian hopes to close the Singapore-Manila gap in her defences by an effective regional security pact.

IV

Since the conclusion of the Manila Pact, conceived broadly against the background of the 'cold war', the context of east-west relations has changed.¹⁸ The most significant of the changes has been the rapid development which has produced a more even balance of power and reduced the likelihood of global nuclear war in the near future.

Coupled with this has been an acceleration of the shift in Soviet policies since the death of Stalin. The increasing tempo of mobile diplomacy by Russian leaders and the re-examination of Soviet policies since the 20th Congress of the Soviet Communist Party in Moscow (February 1956), and the dissolution of the Cominform (17 April 1956)

18. See *Australian Outlook*, vol. 11 (1957), pp. 5-22.

have been accompanied by the development of the concept of co-existence as a competitive as well as a peaceful process. The shift in Russian policies has been a tactical rather than a strategic move. It involves no abandonment of Marxist holy writ but merely a change of means to accelerate what they regard as an inevitable historical process. Global nuclear war on a massive scale involves a prodigal use of resources when political infiltration and competitive economic aid provide an equally effective means of attaining long term ends at a lower cost. The easing of the financial strain of military preparations enables the diversion of economic resources to the improvement of domestic living standards and the stepping up of external economic aid.

The Russian shift to the techniques of competitive co-existence has been followed by Peking and given an Asian philosophic basis by the formulation of the Five Principles of Panch Shila. Chinese policies have matured as Peking has got the western world into a clearer perspective and tended to follow policies more independent of Moscow. An increasingly nationalist outlook has been accompanied by a cautious liberalisation of external policies. The dilemma facing western powers has lain in their assessment of China's intentions towards the small states on her southern periphery: whether China is concerned merely with the protection of her southern borders or whether she intends to resume traditional imperialist ambitions in this region. In either case the role of Chinese minority groups is of crucial importance. Peking's gesture to Djakarta at the Bandung Conference—an offer to resolve the dual nationality problem—has had tremendous psychological repercussions even if it has had little practical effect in Indonesia or been repeated in other parts of the region. The 1951 directive to Malayan Communists to be selective in the use of violence, and the offers of Chin Peng (December, 1955) to cease guerrilla activities against the Malayan government in return for political recognition as a legal party are also indicative of the change in Chinese policies. The shift in tactics as part of a campaign for the support of the neutralist and the uncommitted nations of South and South-East Asia.

It is in this changing context that the Australian Government has sought to clarify and to implement the main purposes of the SEATO Pact. In its assessment of the dangers to Australian security, the Government has continued to assume that the chief threat will ultimately come from Chinese imperialism using military and/or political weapons. Accordingly, with a clear realisation of the implications of nuclear warfare, it has continued to discard the alternative of local defence centred on the Australian mainland in favour of defence based on southern Asia in collaboration with the other members of SEATO. This decision, based originally on the pre-nuclear assumption that the threat to security would come from a land/air movement of the 1941-2 Japanese type, has been confirmed by

the belief that a combination of advanced land bases and air-strips would be the most effective means of defence.

It is primarily for this reason that Australian policy since 1954 has been directed towards putting flesh and blood on the military skeleton, to converting "an insurance policy and a deterrent" (Mr. R. G. Casey) into an effective shield to protect Northern Australia. The attempt to establish a tight military planning group at the Bangkok meeting of the SEATO powers (23-5 February 1955) met with limited success, partly because of congressional opposition in Washington, partly because of a "divergence between strategic priorities as seen in Washington and London."¹⁹ American interests in South-East Asia are largely peripheral. With the loss of the Ceylon bases after the election of April 1956, Singapore assumed an increasing importance to both London and Canberra as the advanced sheet-anchor of the British defence line for Commonwealth interests east of Suez. Bangkok became the meeting place for SEATO Council representatives, the centre of operations of a Military Liaison group as well as the home of the new SEATO secretariat. Mr. Dulles emphasised the American concept of mobile defence and dangled American military forces as a deterrent to aggression: a million troops, 400 warships, and 30 air squadrons.

Australia has continued to press for closer military planning to make SEATO something more than a "paper-tiger". Staff planners met at Pearl Harbour in November 1955 and military advisers in Melbourne (17-19 January 1956) and in Canberra (11-13 March 1957). Operation Firm Link (15-18 February, 1956) was a military exercise in which all SEATO members except France and Pakistan participated. The greater part of the 10,000 ground forces were American troops with token support from other countries. Operation Albatross (Sept.-Oct. 1956) was a naval and military exercise in the South China seas in which naval forces from all SEATO members except France took part. Further combined exercises were held in January and April 1957. These military exercises emphasised the need for the creation of a Permanent Military Planning Staff. This was agreed to at the Canberra meeting of the SEATO Council (11-13 Mar. 1957) which also announced that "as a result of the work of the Military Advisers over the past year, SEATO Governments are agreed upon the nature of the Communist threat in the Treaty area and the kind of military measures which would be necessary to defeat it."²⁰

A meeting of military planners at Singapore (11 June 1956) reiterated the essentially defensive purpose of SEATO: "to be ready, should the need arise, jointly and in combination, to ensure being able to demonstrate that armed aggression against any part of the treaty area will not succeed.

19. Julius Stone, *Australian Journal of Politics and History*, vol. 1 (1955-6), p. 7.

20. *SEATO: Second Annual Report*, 5 March 1957 and *Final Communique of Third Council Meeting*. *Current Notes*, vol. 28 (1957), pp. 226, 236.

Under the shield thus provided we intend that the state or nation concerned shall be able freely to develop its own way of life for the benefit of its own people and for the joint benefit of all."²¹ It is this essentially defensive purpose of SEATO that led the Australian Government to decide on 1 April 1955 to station troops in Malaya as part of the Commonwealth reserve, thus strengthening the land forces in the area available for SEATO purposes. The move was part of Australia's policy to secure specific defence commitments in South-East Asia. Before taking the decision, Mr. Menzies discussed the strategic problem in Washington. The furthest Washington was prepared to go was an agreement that "in the general task of preventing further Communist aggression, the United States considered the defence of South-East Asia, of which Malaya is an integral part, to be of very great importance. . . . I was informed that though the tactical employment of forces was a matter which would have to be worked out in detail on the services level, the United States considered that such effective co-operation was implicit in the Manila Pact." There was agreement that the United States would be prepared to consider "ways and means by which the equipment position may be improved."²² American interest appeared to be shifting from ANZUS to SEATO. Australian attempts to secure American defence guarantees met with some success at the Canberra SEATO meeting when Mr. Dulles said that Australia will never have to stand alone in the Pacific in the event of war."²³ This was of course a guarantee that was merely morally binding: it had no constitutional validity at all.

The Manila Pact was an elastic instrument capable of several roles. Its all-over purpose was the checking of aggression: it was designed "not to perpetuate colonialism but to create a common front against the new imperialism now threatening Asia." Its three pronged attempt at checking aggression involved action at political and economic as well as military levels. Members gave varying priorities to the different prongs and perhaps altered their own emphases at different times. In June and July 1955, Article II appeared to be of growing importance as Pathet Lao forces in the two northern provinces of Laos (Sam Nena and Phong Saly) refused to recognise the Laotian government. Thailand and the Philippines pressed for SEATO consultation and action at a Bangkok meeting (6-8 July), but both the British and Australian representatives opposed any direct SEATO intervention.

With the shift in Communist tactics to infiltration and the selective use of violence, with the new technique of competitive co-existence, co-operation to check subversion and infiltration became an increasingly important function of SEATO. Infiltration has been most marked in

21. *Sydney Morning Herald*, 12 June 1956.

22. R. G. Menzies, 20 April 1955, *Com. Parl. Debts.*, p. 45 ff.

23. *Adelaide Advertiser* 12 March 1957; *Melbourne Sun* 12 March 1957.

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political, youth, and cultural movements and in trade unions. Front organizations have developed on a regional basis or where regional organizations already exist, attempts have been made to gain control of them. The Asian Writers Conference, Afro-Asian Student Conferences, World Federation of Democratic Youth and the International Union of Students: all these have been bodies in which the political battle has been keen. In addition, the minority groups of Malaya and Singapore, Thailand, Burma and Vietnam have all been subjected to pressures. Finally, political propaganda has been directed against neutralist countries as a whole as well as the Asian members of SEATO in the attempt to persuade them that membership of a regional security group involves a loss of sovereignty, an impairing of national independence as the first step in the re-establishing of colonialism.²⁴

The exchange and pooling of information between intelligence services began immediately after the conclusion of the Manila Pact. Plans for dealing with subversion were broadly agreed upon in Bangkok in July 1955 and were worked out in considerable practical detail at the Karachi meeting of the SEATO Council (6-8 March 1956).²⁵ Closer collaboration between intelligence services and border control officials, the adoption of common police training methods and the analysis of propaganda techniques has formed an important part of the less obtrusive work of SEATO between the Karachi and Canberra meetings of the Council. The real difficulty in checking subversive activities lies in the danger of confusing subversive movements with genuine nationalist movements, movements at times infiltrated or used by Communist groups. The distinction is often a fine one, almost impossible to draw with certainty.

The shift in emphasis in Communist tactics in Asia has been reflected in the entry of Russia and China into the field of economic assistance on an expanding scale. The visits of Mikoyan, Bulganin and Krushchev to South and South East Asia have produced offers of economic assistance to India and Afghanistan and trade pacts with Burma. Poland and Czechoslovakia have offered to build Middle Eastern railways and to build sugar factories and cement mills in Indonesia. The alteration of tactics in Europe has led to a re-assessment of NATO's functions; the switch to competitive co-existence and the Communist invasion of the western monopoly of economic aid has produced a re-evaluation of the objectives of SEATO.

The framing of Article III of the Manila Treaty and the drafting of the Pacific Charter which accompanied it were done with a full consciousness of the economic revolution which is taking place in Asia. The immediate task in 1954 appeared to be the military one of halting Communist imperialism in South Asia. But at the same time, it was assumed that there was a positive correlation between low living standards and social

24. SEATO: *Second Annual Report*, 5 March 1957, *passim*.

25. *Current Notes*, vol. 27 (1956), pp. 180-2.

discontent and the acceptance of Communist ideologies: poverty was believed to be the essential condition for adhesion to communist political policies.

The economic committee of SEATO has become increasingly important over the past two years. A meeting on 12 January 1956 emphasised the importance of economic well being and the need to create "a shield behind which to maintain our way of life and the development of economic resources."²⁶ At the Canberra meeting of the SEATO Council a year later, Mr. R. G. Casey pointed out that "SEATO's task was not merely a negative one to keep Communism back; there was also the positive task ahead of enabling free nations to remain free and to run their countries in their own way. That was what SEATO was designed to do."²⁷ It is difficult to separate out the contributions for economic development from the United Nations and its specialised agencies (including the International Bank), the Colombo Plan and SEATO members. The total was the substantial figure of between \$800 and \$900 million. American contributions to the SEATO area increased fourfold between 1954 and 1956.

For Australia, the shift in emphasis raised the problem of the relative importance of SEATO and the Colombo Plan as the source of economic assistance within the area. Australian policy leans to the Colombo Plan rather than SEATO, partly because it is divorced from political and military issues. The Australian government offered special economic assistance at the Karachi Council meeting of SEATO (6-8 March 1956), but for defence support aid rather than for general economic development. There was, too, a feeling that should SEATO be converted into a "glorified international economic agency", it would lose its edge as a military instrument to check piecemeal Communist aggression in South East Asia.²⁸ On the other hand, there was a growing body of opinion in favour of more massive economic aid to South East Asia as an effective means of producing economic and social stability and of establishing closer political ties between Australia and her Asian neighbours. The Hobart platform of the Australian Labour Party (1956), reflected in increasing back-bench support, has emphasised the need for a very substantial increase of Australian contributions to Asian economic development. Only .1 per cent of her national income has been devoted to economic aid under the Colombo Plan. Australia's own demands for capital for developmental purposes are becoming more pressing. She may well be faced with a choice between accelerating her own economic development and the slowing down of that development in the long term interests of slightly accelerating the tempo of Asian economic expansion and thus enhancing her own security.²⁹

26. *Melbourne Age*, 13 January 1956.

27. *Ibid.*, 12 March 1957.

28. *Sydney Morning Herald*, 7 March, 1956; *Current Notes*, vol. 27 (1956), p. 149. Great Britain was also reluctant to sacrifice the Colombo Plan for an economic SEATO.

29. See *Australian Outlook*, vol. 11 (1957), pp. 19-22; N. D. Harper, in *Australian Journal of Politics and History*, vol. II (1956-7), pp. 3-4, 8.

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Australian foreign policy for at least a decade has been directly concerned with attaining a greater degree of security within the scope of the United Nations charter by means of a regional security pact. ANZUS represented the first but incomplete blue print, a plan that had the advantage of closer association with the United States which had replaced the United Kingdom as the source of effective power in the west Pacific. SEATO was a second attempt to secure a broadly-based security pact, a pact that would include Asian members and which might also more firmly commit the United States to military action in what was to her a peripheral area. It is for these reasons that Australia has strongly supported SEATO as a military, political and economic means of enhancing Australian security. Many Australians feel that SEATO has acted as an effective deterrent to continued Communist military aggression despite the build-up of forces in China and Northern Vietnam. "The basic fact is that SEATO's formation has stabilised the very dangerous situation created by the Vietminh victory and the withdrawal of the French from Indo-China . . . SEATO has made the price of further military adventures too high for the Communists."³⁰

From a purely military point of view there may be a hard core of fact in this estimate of SEATO's effectiveness. Yet SEATO planning has not yet produced an integrated military command, a defence force comparable to NATO. SEATO's effective power rests primarily upon the 7th American Fleet based on Manila with its nuclear weapons, guided missiles and supersonic aircraft. The Ceylon elections of 1956 with their subsequent termination of naval and air base agreements with the United Kingdom and Egyptian nationalisation of Suez have effectively weakened Britain's ability to deploy military power in South-East Asia. Self-government for Singapore and independence for the Federation of Malaya have made the Singapore base less valuable and Malayan land bases more precarious for Commonwealth forces in South-East Asia. The halting of Communist military aggression in South-East Asia may well be the result of a change in communist tactics and the stalemate in nuclear power rather than the consequence of growing SEATO strength.

To Australia the disappointing feature of SEATO has been not so much the leisurely growth of its military strength as its failure to attract further Asian support. Pakistan alone of the Colombo Powers has become a member although Ceylon temporarily flirted with the idea of joining the pact. India has been forthright in her denunciation of the Manila Treaty as a threat to the "integrity, sovereignty and independence" of the countries of the area. It was, as Mr. Krishna Menon put it, "a modern version of a protectorate. It is an organisation of certain imperial powers

30. *Sydney Morning Herald*, 11 March 1957.

and some others who may have an interest in joining together to protect the territory which they say is in danger. We are part of that territory and we say that we do not want to be protected."³¹ India's view was partly coloured by the Pakistan-United States military pact and a fear that SEATO might attempt to interfere in the Kashmir dispute. It stemmed mainly out of India's attachment to neutralism, a differing assessment of the dangers of Communist aggression, and a belief that internal economic problems were of far greater importance than any external threat. Neither Laos nor Cambodia have been enthusiastic about their possible protection under the SEATO umbrella; Prince Norodom has specifically repudiated such protection.³² The Federation of Malaya has also displayed marked reluctance to commit herself to membership of SEATO after independence was achieved in August 1957.

Asian unwillingness to abandon neutralism for the commitments of a regional security pact, heavily western in membership, arises in part out of a suspicion of SEATO as an instrument of a revived western colonialism or imperialism. Such a view reflects extreme Asian sensitiveness to colonialism and is based on a belief that the increasingly anti-communist character of SEATO makes it an offensive rather than a defensive organisation. It is a view based in some degree upon a partial acceptance of the Communist argument that at present neutralism can best guarantee national independence and integrity. It lends colour to the western view that the neutralist Colombo powers are attempting to make the best of both possible worlds and are accepting the de facto security provided by SEATO without in any way contributing to it.

At bottom, much of the uncertainty in Australia and Asia about the role of SEATO lies in the belief that it is attempting to deal with economic and social phenomena by primarily military methods, that short-term objectives tend to obscure long term objectives. There is, of course, no clear choice between military security and economic well-being. Immediate provision for defence needs need not preclude the adoption of long-term plans for the removal of economic stresses which may be conducive to political and military instability. The two objectives must be pursued simultaneously. As a former Prime Minister of Ceylon, the late Mr. Senanayake, pointed out, "Asia's fundamental problem is economic, not political." In the last analysis it will be Asians themselves who will be able most effectively to halt the spread of Communism, and their ability to do this will depend primarily on their success in solving Asian economic problems. It is a realisation of this that has led to increasing demands in Australia for stepping up the volume of economic aid to Asia. It was Australian pressure in part that secured the emphasis upon economic co-

31. *Keating's Contemporary Archives*, vol. IX (1952-4), p. 13762.

32. *Ceylon Daily News* cited *Melbourne Herald*, 20 April 1956; *Sydney Morning Herald*, 18 April 1956.

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operation in Article III of the Manila treaty and the drafting of the Pacific Charter. The SEATO Council at its Karachi and Canberra meetings has been moving towards a greater weighting of these objectives as the best means of checking subversion and meeting the Communist challenge of competitive co-existence. This is seen in part in the re-allocation of budgeting costs (two-thirds to be borne by Britain, France, the United States and Australia) and in the special Australian allocation of £2 millions towards the defence costs of Asian members of SEATO.

Australia's ambivalent position as a western power with strong Asian affiliations, as a dependent economy whose overseas markets may be changing, is reflected in the dilemma which faces her over the future of SEATO. A purely military approach to her own problems of security leads her to emphasise the need for tighter military commitments and closer military planning to check overt military aggression. This involves closer military ties with the United States as the only western power with massive military strength. Yet to do so involves a threat to her friendship with her Asian neighbours, a friendship carefully cultivated over the whole post-war period. Closer military and political association with Washington could create the impression that, as she moves into the American orbit, she will become an American satellite.

The alternative—the use of economic and political means to check Communism—presents its own problems. The suggestion from Bangkok that four SEATO powers had backed the Thai government in the general elections March 1957, although untrue, strengthened the fear in Australian Labour circles that SEATO might become an instrument for propping up conservative governments in Asia.³³ If, to Asians, the essential lines of divisions are not political (communism and democracy) but economic (the rich and the poor), then a substantial increase in western economic aid to Asia is the logical alternative or supplement to the strengthening of the military aspects of SEATO. For Australia, a large scale increase in economic assistance to Asia involves a difficult domestic choice: the lowering of taxation as opposed to constant or rising taxation, continued capital accumulation and capital imports instead of rising capital exports to Asia at the possible expense of continued expansion of the Australian economy and a lowering of Australian living standards.

Australia is attempting to secure greater military security through SEATO and at the same time to collaborate more closely in the economic development of Asia as a long term method of attaining the same end. Her preferences in the past have been to make the Colombo Plan the chief vehicle for improving Asian welfare and to use SEATO as the major instrument for security. Membership of SEATO has not precluded her from developing friendly relations with the uncommitted, neutralist

33. A. A. Calwell, *Melbourne Herald*, 16 March 1957.

powers of Asia. The changing context of world power and of competitive co-existence may compel her to try to resolve some of the apparent contradictions between her political and strategic objectives. This may necessitate a further shift in emphasis within SEATO, or alternatively raise the question as to whether SEATO in its present form is the best instrument for attaining both the short-term and long-term objectives of Australian defence and foreign policy.

The Economic Stability of the Philippines Economy

By Anacleto Lacebal

From the point of view of income per head, the balance of payments situation, the cost of living angle, the employment situation, and the servicing of foreign investments, the Philippines was stable for the first four decades of this century, but in the second half of the fourth and the first half of the fifth, the Philippine economy, while operating at a higher price level, had tendencies towards instability. Why was the country stable in those earlier years when she was expected to act in a manner that should magnify the after effects of economic conditions in other countries with which she trades, especially with the country she is most dependent on, the United States? What caused her to be unstable after World War II when she was swamped with a huge windfall of disbursements by the United States Armed Forces amounting to over a thousand million dollars in a five-year post-war period? What made the country an exception to the theory regarding the magnification of movements in the "mother country" by the dependent economy? Were the fluctuations there? If so, what must have dampened or counteracted the forces that tended to shake the stability of the Philippines?

The answer to these questions may be viewed from the two sides of foreign trade. It may be clearer to have these questions studied in terms of those forces which made possible increases or decreases in foreign exchange receipts, and those factors which tended to induce or reduce payments to other countries. The clash between these two opposing groups is seen in the behavior of the balance of trade, and where it is possible to have the data, in the balance of payments. Tendencies to stability or instability are then reckoned on the basis of the relative strength of either of these antithetical movements, the varying force of which becomes evident in the gap of the "scissors" effect of the balance of payments.

Receipts from other countries are made possible only through merchandise and service exports, and capital inflow, both public and private. The volume of payable services the Philippines rendered to other countries was relatively minor, consisting of the usual tourist expenditures, banking and insurance, and of some importance, the remittances of Filipino workers abroad, notably those in Hawaii. Interest payments also come from the foreign bank balance of the Philippine Government for the monetary reserves were deposited with United States banks. Besides remittances for the maintenance of religious missions, there was a significant sum rising from the disbursements of United States Government agencies

in the country for resident veterans, both Philippine and American, and for the maintenance of her offices in the country. In the capital inflow, the loans of the government and government-sponsored entities which are, as a rule, floated in the New York market, contributed to additional international receipts: the volume of private capital funds coming into the country were seldom known, but they were definitely linked to the degree of profitability of the country's four major export crops. A brief treatment of the development of each of these agricultural (and with them later, mineral) exports give a background to the changes in the export side of the balance of trade.

Sugar production was disrupted at the close of the nineteenth century due to the war of liberation from Spain and the sequel to that, the contest against the United States. In 1900 sugar exports to the United States were but 65,000 metric tons and gradually went up to 144,735 metric tons in 1908. In spite of American control over the Philippines, the rise in sugar exports to the United States in the first decade of the American occupation was slow. A large volume of capital needed to erect sugar centrals was slow in coming to the Philippines on account of (1) the subsidy granted to beet growers in European countries, (2) the proximity of Hawaii and Cuba, which in the case of Cuba more than offsets the extra 5% Philippine tariff preference over Cuba's 20% tariff preference over all other foreign suppliers, (3) the public land laws in the Philippines which limited 1,024 hectares (2,500 acres) as the maximum holding of a corporation, and 24 hectares to individuals, sizes which are hardly sufficient to raise sugar cane to supply a sugar central, and (4) the antagonism of the Filipinos to foreign capital and large land-holdings, an attitude understandable in the light of their unsavoury experiences in this matter with their former rulers, the Spaniards. World War I increased the demand for sugar, and under Governor-General Harrison a system of co-operative production, milling and marketing was inaugurated in 1915. The newly-created government-owned Philippine National Bank went too far back to accommodate the sugar interests to the extent of using for commercial purposes, the reserves of the gold-exchange standard then recently transferred to the Philippines, leading to the exchange crises of 1918-1921. The ability of the sugar centrals to extract 90% to 95% of the sugar (which was double the amount extracted under older methods) led to increased production: in addition; the area under cultivation from 1920 to 1934 went up by 55%. Production increased 200%, partly on account of more efficient methods of cultivation, better cane varieties, and better capital equipment. Even in the depression years, sugar exports to the United States increased and exports became more and more confined to the United States. In 1932, 99.64% of sugar exports went to the United States, and in 1934 it was 99.93%. This concentration in one market was due to the all-out efforts of millers and planters to increase their output to have a larger base for the quota then being prepared

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for sugar coming from the Philippines. The Independence Act provided for a declining duty-free shipment to the United States, but the Jones-Costigan Act of the same year imposed an absolute quota for Philippine sugar, a restriction which was subsequently embodied in all laws of the United States pertaining to sugar from the Philippines.

Coconut oil (extracted from copra, dried coconut meat) and other coconut products increased from 1900 to 1909, a period in which Spain and the United States shared equal preferential treatment in trade with the Philippines. As early as 1906, a copra crushing mill was operating in the country, but it was only during the 1914 wartime boom that 40 extracting mills were erected, most of them rather hastily done. The post-war slump led to a consolidation to 7 firms operating 8 plants. Coconut oil exported to the United States reflects this investment boom in the coconut industry with 9,914 thousand pounds exported in 1910 and 326,774 thousand pounds in 1918, with slight reductions in 1920 and 1921, and an annual average of not below 160 million pounds thereafter. The commercial growth of soap and margarine industries in Europe (mostly in France) led to increased demands for coconut oil, at the turn of this century: a similar development in the United States further increased demands. Still further demands were made during World War I on account of the high glycerine content of coconut oil which was desired in the manufacture of explosives.

The United States Fordney-McCumber tariff law of 1922 further boosted coconut oil exports to the United States for the two-cents-a-pound duty on coconut oil was not applied to the Philippines: while duty was collected, the revenue reverted to the Philippine Government to reduce the bonded indebtedness of the country. This tariff gave the Philippines virtually a monopoly of the coconut oil market in the United States.

Hemp, at the start of the century, was the leading export of the country; it was, for some time, a monopoly of the Philippines. The wet climate suitable for its production is confined to specific parts of the archipelago. Exports of hemp rose up to the end of World War I, after which it declined, with a rise in 1929 when 15 million pounds were exported, half of it to the United States. The depression slashed foreign purchases down to 6,800 thousand pounds (the United States purchasing from 50% to 60%), and there was never a recovery from that decline, which is chiefly due to the use of substitute fibres and the increased use of wire rope.

Tobacco was introduced and developed by the Spaniards, and when they left, the ties with the Spanish market continued. Cheap production costs, also enabled Philippine cigars to appear in the United States market, but the better grades of leaf tobacco went to European countries, particularly Spain. "A curious commentary on the tobacco situation is that the balance of trade is decidedly in favour of the United States. The

Philippine importation of tobacco products, chiefly cigarettes, increased by leaps and bounds. The conclusion of the war saw a threefold rise in the consumption of American-manufactured cigarettes due in great part to a developed taste for American brands. The Philippines was the largest foreign customer of the United States in cigarettes in 1948.¹

Besides earnings from these export crops, there was a series of wind-falls of foreign exchange for the country. Thus,

"A source of easy and large income provided by the vagaries of United States Congressional legislation was the coconut oil excise tax. Between 1934 and 1942 the revenue accruing to the Commonwealth Government from the levy of three cents per pound on coconut oil shipped to the United States amounted to well over P200 million. The fund accounted for approximately one-third of the operating costs of the government for that period."²

Then there was an additional 135 million pesos for,

"During the ten years the Government of the Commonwealth was in operation, approximately P335 million were remitted to it by the United States Government from coconut oil excise taxes and sugar processing taxes. This huge sum stood out vividly in comparison with revenues from all Philippine sources for the same period of P600 million."³

Still another source of foreign exchange was the disbursement of 1,400 million dollars from 1945 to 1949 by the United States Government for military expenditures, war damage payments and similar war-connected payments.

Among the general factors that contributed to greater receipts of foreign exchange, the more important ones are:⁴

1. During the entire period the Philippines has been under the diplomatic and military protection of the United States towards which it has made no monetary contribution.
2. The United States has controlled and guarded Philippine currency and has sustained its stable position in the world's money markets by linking it with the dollar. Similarly, but with the exception of three years (1918-1921) of careless policy, the United States has been the faithful custodian of Philippine currency reserves.
3. For 35 years the cheap money market of the United States absorbed practically all debt issues of the Philippines and by law enforced their redemption through orderly sinking funds.
4. United States laws and administrative officers throughout the period previous to the Commonwealth rigorously held government expenditures within revenues derived from local sources."

1. George A. Malcolm, *First Malayan Republic*, Boston, 1951, p. 354.

2. *Ibid.*, p. 314.

3. *Ibid.*, p. 315.

4. *Report of the United States High Commissioner to the Philippines*, 1939, Washington, 19; p. 148.

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The last factor named is described in some detail in:⁵

"The Republic of the Philippines is self-sustaining. The entire cost of administration is borne by local taxpayers. This has been true since the beginning of the American occupation. Even the salary of the American Governor-General was paid out of revenues collected in the Philippines. From another angle it can be said with some degree of accuracy that the Islands have been a financial burden on the United States. If mathematically and meticulously inclined, an addition of all American originated appropriations for Philippine expenditures from 1898 to 1941, would make a grand total of P2 billion (\$1 billion). The sum shrinks from its superficial bigness, when it is recalled that the estimated billion dollars was for a period of over forty years, that a considerable portion of the expenditures was Army and Navy appropriations of primary interest to the United States, and that commercial advantages were obtained through relations with the Philippines.

These then, are some of the forces that lead to the maintenance or the increase of receipts of foreign exchange. However, these expansive forces were hemmed or restricted in various ways: these limitations are best traced through a survey of trade relations between the two countries.

From 1898 to 1908, Spain and the United States shared equal preferential rights to trade with the country. The most the United States did was a rebate of 25% of United States custom duties on Philippine exports. In 1909, free trade was opposed by Filipinos, but it was imposed on them. As a result, a complementary trade economy with that of the United States developed in 1909-1912, in which the United States had a protected market for her products, mostly manufactures, in the Philippines, and this country had a sheltered market for her wares, mostly agricultural, in the United States. The United States Tariff Act of 1913 abolished the minor restrictions and exceptions on some Philippine products imposed by at similar law in 1909. However, there was no tariff assimilation of the two countries, but simply preferential trade as against all other nations. The Philippines had a tariff schedule of her own, but her chief handicap was her lack of power to negotiate with foreign governments. These matters had to be coursed to Washington for approval, which may or may not be forthcoming, depending on whether or not the proposal was favorable to the interests of the United States. While this free trade produced an exceedingly valuable market for each other, Philippine foreign commerce came to depend more and more on the United States, a condition from which the United States was not subject to. In addition, this preferential arrangement made the Philippines a competitor, real and imagined, of United States agricultural products and led to lobbies for the

5. George A. Malcolm, *op. cit.*, p. 317. According to the report of the United States High Commissioner to the Philippines for 1939 (p. 148), the only United States appropriations to civil government prior to the Commonwealth were the 1903 congressional relief appropriations of \$3 million, and the return of internal revenue duties collected.

erection of measures to contain or keep out the increasing flow of Philippine sugar, coconut oil, hemp, tobacco and some other products which form a minor portion of total Philippine exports, but whose sole market is the United States. On the other hand, the relatively free trade between the two countries prevented the development of a wide range of secondary industries in the Philippines which would have competed with, or asked protection from, similar types of American-made goods.

As a result of the Great Depression, American agricultural interests became more and more hostile to the unlimited duty-free entry of Philippine exports. This belligerent attitude is understandable because of the situation the American farmer, then, found himself, for

"The end of the World War had left the American farmer high and dry. Along with everybody else, but ten years ahead of most of them, he was perched on the stilts of high prices, high labour costs, high land values, and high debts. In 1929, at the peak of the 'boom,' the farmer was receiving only 38 per cent. more for his products than he had received in 1913. For commodities used in his living and production he paid 52 per cent. more than in 1913; he paid wages that were 70 per cent. higher, and his taxes were 510 per cent. higher. Farm incomes had accounted for 14.9 per cent. of the national income in 1920, but by 1929 they had decreased to 7.8 per cent., a drop of nearly 50 per cent."⁶

A farm bloc in the United States Congress believed that coconut oil was causing a displacement of domestic fats and oils due to lower costs of production in the Philippines. In 1932 of the Philippine coconut oil imported into the United States, 64.3% were used in the manufacture of soap, 22.4% in oleomargarine, 1.5% in lard compounds and shortening, 7.4% in other edible products, and the remaining 4.4% in other inedible products. It was known that cotton-seed oil had a disagreeable odour transmitted to the laundered cloth, left a yellowish hue in the clothes, was hard to lather in cold water, broke down at high temperatures and was inadequate for light and fragile fabrics—objections which could not be levied against coconut oil. No other oil in the United States performed or could perform the job done by coconut oil. In the manufacture of margarine, the domestic fats used in making butter were merely by-products of slaughtering, and that the price spread between margarine and butter was so wide that the institution of a full tariff was insufficient to cover the yawning gap. As an inedible product, coconut oil was used in the making of pneumatic rubber tyres, in tanning, in the making of asphalt because of its high lauric acid content—again, a characteristic no United States oil possessed. As a shortening, the tendency of coconut oil to harden at a low temperature (72 deg. F.), the absence of objectionable taste or odour makes it ideal; however, as a lard substitute, its tendency to smoke and sputter when used for frying has restricted its use in the United States to such purposes, such that it is but 1.5% of total coconut

6. Grayson Kirk, *Philippine Independence*. New York, 1936, p. 77.

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oil exports from the Philippines. Except in this 1.5%, there is no real competition between coconut oil and domestic oils in the United States for there is no complete substitutability between the two groups. In spite of these, the clamor for the limitation of imports of this product from the Philippines increased.

A similar case of muddled thinking about the confusion of cause and effect is seen in Philippine sugar exports to the United States. The increased capital investment in sugar in the Philippines led to more and more sugar exports to the United States, and as⁷

"these American imports of Philippine sugar increased, the price of sugar on the American market fell. Every year after 1927 the price of raw sugar in New York ex-duty was lower than the year before and every year after 1926 imports of Philippine sugar were greater than the year before. In these circumstances it is not surprising that domestic sugar producers saw in this trend a definite cause-and-effect relationship, and they shortly became convinced that their hope for higher prices could be gratified only if they could put a stop to the unlimited free importation of sugar.

The percentage distribution of the source of sugar consumed in the United States in 1933 was:

American beet	21.63% ⁸
American cane	4.98%
Hawaii	15.67%
Porto Rico	12.52%
Virgin Islands08%
Philippines	19.65%
Cuba	25.34%
Other foreign areas13%

If the Philippine share were cut off completely, Cuba could make up for the deficiency: the only way for the American sugar producer to benefit is to impose a very high tariff wall cutting off supply from all non-continental sources and have the tax passed on to the consumer. American cane sugar is costly because it is raised outside the proper climatic belt; it is usually harvested after 8 months (especially in Louisiana) to beat the early frost, and there is not as much sugar in it as one that is left to mature for twelve months. American beet sugar is tedious to grow for it requires back-breaking toil, the American producers themselves paying high labour costs, or importing Mexican labour to do the job. Beet sugar tends to be localised near the area where it is produced and hardly competes with Philippine sugar which is delivered at the Atlantic seaboard. Cuba pays duties while Philippine sugar does not, and what the Philippines could not supply, Cuba supplies.

A strange alliance among beet sugar growers, Cuban sugar lobbyists, the farm bloc, dairy and cotton-seed oil interests and organised labour on

7. Grayson Kirk, *op. cit.*, p. 89.

8. *Ibid.*, p. 89.

the Pacific Coast pushed for the independence of the Philippines. Paradoxical as it may seem, it was the United States which declared her independence from the Philippines and not the Philippines that gained independence. It is true that United States exports to the Philippines were not affected, but if the income by which these were purchased were limited, would not the import of these items by the Filipinos be decreased? American agriculture was blind, either unconsciously or deliberately, to these repercussions for,

"they forgot or refused to recognise that the Philippines constituted an important segment of their export market . . . Counterbalancing the competitive effect of imported oils upon domestic cottonseed oil is the fact that the Philippines are the best American external market for American cotton piece goods. Imports of Manila cigars are competitive, but the Philippines are the best American export market for cigarettes. Competition is offered by imports of Philippine edible oils, yet the Philippines import a greater value of such products as milk, flour, meat and other agricultural products. Not only do the Philippines supply certain essential oils for the soap industries not available at home, but they are the best soap export market."⁹

In the Philippine Independence Act of 1934, the major Philippine exports were subject to a declining volume of duty-free exports. Subsequent amendments altered this to include an absolute quota. Thus,¹⁰

"The Jones-Costigan Act put absolute limits on the amounts of sugar which could be exported to the United States, whereas the Independence Act merely limited the amount which could enter the country duty free. Since the expiration of the Jones-Costigan Act, the quota provisions have been continued under the Sugar Act of 1937. In the Revenue Act of 1934 later somewhat modified by the Acts of 1935 and 1936, there was included a processing tax of three cents per pound on coconut oil expressed from Philippine copra, the proceeds of which are remitted to the Philippines. As foreign oils pay a tax of five cents, the Philippine products have a two cent preference. The Cordage Act of 1935, since extended to 1941 by Presidential Proclamation, enlarged the duty free quota permitted under the Independence Act, but changed it to an absolute quota. Because of the wide fluctuations in agricultural prices it should be noted here that quotas based on quantity rather than value fall heavily on a country which imports manufactured goods. For example, in 1938 exports of Philippine sugar to the United States were substantially unchanged in volume, but their value dropped 13 per cent."

These absolute quota limitations tended to minimise foreign exchange earnings for the country. On the other hand, American exports to the Philippines remained duty-free, a unilateral advantage rectified only in 1954 by the Laurel-Langley Accord, in which the duties on United States exports were imposed at a much more accelerated rate than United States duties on Philippine goods: both countries are gradually imposing the full tariff on each other's products.

9. Ethel B. Dietrich, *Far Eastern Trade of the United States*, New York, 1940, p. 61

10. *Ibid.*, p. 59.

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Other forces which tended to restrict foreign exchange earnings for the Philippines are the opening of Africa, the development of Central and South America, and advances in transportation and communication which made the world smaller. Mention might also be made of the backward agricultural technique in the Philippines, and also of the uneven distribution of the population (Map III) in a country where half of the tillable land is unoccupied, and of the occupied portion, not all is cultivated. These idle lands may be used for the export of other agricultural crops desired by other countries, or for some of agricultural crops (e.g., rice) the production of which is not sufficient for domestic requirements.

From these factors which tended to increase or decrease receipts from international trade, we turn to those factors which tended to increase or decrease payments in international commerce.

The country as a whole, as it emerged from Spanish administration, had a low level of education and of health, a state which was hardly conducive to more imports. With the spread of public education and with better health, the rapid advances in transportation and communication exposed the Filipinos to foreign influences and generated dissatisfaction with the lot they inherited from their forefathers. One might surmise that this painful consciousness was first seen by the leaders for independence, and the realisation of political independence together with the beneficial effects of public education and public health made the Filipinos themselves aware of what they lack. The awakening from a lethargy, the tendencies to look beyond their immediate environment tended towards a breaking up of the old routine in each village of the country.

Most of their demand, however, is in the form of desire for their ability to pay is sadly missing; of their supply, the ability to offer for sale more of their product is hampered by their inefficient methods of production, and their willingness to sell more is limited by the increasing restrictions in United States-Philippine trade. In summary, for the greater part of the population, the demand for more and better goods (and consequently, for more imports and payments for them) have been aroused. However, the means to obtain them is not within their immediate reach, because of the unequal distribution of income within the country, a topic which will be discussed in greater detail.

International trade developed new resources and productive forces: it created within the economy a group which is paid higher than the rest of the labor force, a group which is expected to agitate for a larger share of the national product. The trade union movement in the Philippines dates back to 1902, but it was only in the 'thirties and the 'forties that labor became truly organised. If one makes a very generous assumption and considers all members of labour unions as proletariats, their organisations hardly made any significant gains. Discounting the fact that they constituted, for the greater part of the period under study, barely

one per cent. of the labour force, they should have been the rallying point for a greater share of the monetary gains from international trade. They were not able to accomplish this objective, judging from the very insignificant changes in their wage rates. Their failure may be attributed to the paternalism of their employers which was a carry-over from the feudalistic pattern the Spaniards developed in the country. This paternalism was acquiesced with by the "agitators" themselves despite their desire for a greater share, for that was the prevailing ideology throughout the entire country. How could a person demand his right to a living wage when he is not sure whether or not there is such a right? The education that the ordinary worker had was scanty, and it grew only with free public educational system instituted by the Americans: in spite of his contact with libertarian ideas, however, the prevailing ideology of his society keeps him in check. The result appears in one way, in wage rates undergoing relative stability over the years, although the volume (and presumably, the profits) of foreign trade has increased by leaps and bounds.

Export production is confined to certain provinces, and incomes from exports are used to buy domestic requirements from adjacent areas not producing (or if producing, to a small extent only) for export. Surplus income is used for financing the imports of essential manufactured consumer goods: adjacent areas also use part of their income from selling to export producing areas to finance part of these imports. This arrangement subjects the country to varying pressures due to the vicissitudes of the different export crops in international commerce. The degree of influence depends on the relative portion the export crops occupy in relation to the total production of the area, the relative portion which the particular export crop occupies in total exports, and the prevailing export prices. In this general way, conditions in Northern Luzon are affected by movements in tobacco exports; in Central Luzon by sugar; in Southern Luzon by sugar, coconut, and abaca; in Eastern Visayas, by abaca; in Western Visayas, mainly by sugar; and in Mindanao, especially in Davao, by abaca; and in particular mining districts by the mineral extracted there. Foreign trade does influence the level of domestic activity, yet¹¹

"So much emphasis has been laid on trade with countries that little attention has been paid to trade within the Philippines. The Filipino may export his sugar, coconut oil, hemp and tobacco to other lands and import alien commodities, yet the fact remains that right at home he sells, barter and buys to the extent of his financial capacity. Rice and corn, for example, are grown, sold and bought in the Islands. So likewise are most of the fish, vegetables and fruits that are consumed. Pottery products find their way into many homes. In the matter of dresses, shoes, slippers, textiles and

11. George A. Malcolm, *op. cit.*, p. 337. Justice Malcolm held various positions in the American administration of the Philippines from 1906 to 1940: for 16 years, he was Associate Justice of the Supreme Court of the Philippines, and in 1948-1949, he was invited to the University of the Philippines to deliver lectures in law. He was largely instrumental in founding the College of Law of the university.

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cloth from native materials and hats for the elite and labourers are manufactured locally."

Not only is there a large volume of domestic trade going on, but a large part of the national product is segregated from the trading sector and is found in subsistence farming. However, in spite of the fact that the volume of domestic trade is sizable, "yet the fact is that the country must depend on its foreign trade in order to survive." To this opinion, an earlier writer makes a qualification:

"imports include articles of great importance to that part of the population which has developed what may be called 'civilised' needs. Doubtless if these imports were cut off industries could be developed for producing most of them within the country, but the people are not particularly adapted to produce them, while the islands are particularly adapted to the production of certain staple products which constitute the exports. They can, for the present, at least be obtained much more economically by exchange from direct production.

Since exports are necessary to obtain credits with which to buy imports, it follows that the people of the Philippine Islands are dependent for many of the conveniences and luxuries of life, if not the necessities upon the tariff policies of the countries with which they trade."¹²

A further discussion of his reveals:

"A considerable part of the population is still in a primitive economic state and continues the self-contained economy of their fathers. Another large part, while much beyond this stage, is not far advanced industrially. Their needs are less complex than those of the English-speaking nations along the basin of the Pacific Ocean. Nevertheless while the people of the Philippine Islands can maintain their present standard of living on the basis of an approximately self-contained economy, they are in somewhat the same position as those of Australia and New Zealand. They can greatly profit by international trade. They have three great crops which are produced far beyond their own possibilities of consumption. With the export of these products, they obtain credits for buying the innumerable comforts and luxuries produced in industrially more advanced countries. Were other countries, by their tariffs, to cut off these exports, the people of the Philippine Islands, at least the more sophisticated part of them, would suffer a real deprivation."¹³

These sophisticated ones have the effrontery to import foodstuffs!

"Surprise has occasionally been expressed that so rich an agricultural region as the Philippines should spend from 15 to 20% of its total overseas purchasing fund for foodstuffs. Closer analysis permits explanation: much of the food imports are to supply the customary diet of Europeans living in the Islands. The items which might be produced within the Philippines are cocoa, coffee, eggs, fish, a third of the meats, starch, rice, carrying a value in 1940 of less than P10,000,000 or about a quarter of the value of all imported foodstuffs. The fruits, nuts, sugars and vegetables are mainly of kinds which cannot be produced in the Philippines. Nor is it reasonable to

12. Phillip G. Wright, *Trade and Trade Barriers in the Pacific*, Honolulu, Institute of Pacific Relations, 1935, p. 244.

13. *Ibid.*, p. 460.

anticipate that dairy products, better grades of meat and wheat products may be supplied from local sources.¹⁴

Are these not indications of how small are the monetary gains from international trade that filters down into the lower income groups? Are these not indications of the social structure prevailing in the country?

The rich in the Philippines are few. In 1925 there were 23,015 income tax returns, 10,605 of which were taxable, but then 2,991 came from corporations: only 7,614 individuals out of a population of 1,847,899 are rich enough to pay taxes directly to the government. The same proportion occurs in recent years, for in 1947, 165,000 individual income tax returns were filed and only 50,000 out of a total population of 18,874,862 had to pay.¹⁵ The wealth of the country was at one time estimated at approximately P20 thousand million, but it was not necessarily the wealth of the citizens, for:

"The Filipinos have proved themselves poor traders. They produce: others distribute. They work: others gain. Hardly two per cent. of the population are foreigners, and yet this small per cent. handles eighty per cent. of the foreign trade and pays a large proportion of the taxes collected by the government. Of course, like all rules, there are exceptions to it."¹⁶

Over the years of American administration of the country, the economic, social and political structures have been closely intertwined.

"The economic structure of the Philippines determined its social organisation. At the top of the pyramid was a small group of land owners and businessmen—mainly American, Chinese, Spanish and part-Spanish. Immediately below them were the compradors, the bureaucracy of government employees, and a negligible middle class. These groups forming a tiny fraction of the total population received the major benefits that came from American rule. They lived in modern cities, sent their children to modern schools, built up their fortunes and controlled Philippine politics. At the base of the pyramid was the vast majority of peasants, who did not own their lands or homes."¹⁷

Free trade had, of course, brought many benefits to the Philippines. The effects are intermingled in the result of thirty-five years of American tutelage which was outlined by the last Governor-General of the Philippines, and at the same time, the first United States High Commissioner to

14. *Fifth Annual Report of the United States High Commissioner to the Philippines for 1941*, Washington, 1943, p. 55.

15. George A. Malcolm, *op. cit.*, p. 316.

16. *Ibid.*, p. 344.

17. Claude A. Buss, "The Philippines" in Lennox A. Mills's *The New World of South East Asia*, University of Minnesota Press, Minneapolis, 1949, p. 42. Mr. Claude A. Buss spent 1929-1945 in the United States Foreign Service in China and the Philippines. His observation is substantially correct (see page 36 for similar conclusions of David Bernstein) except for the last statement. The Census in 1939 show that in that year, 49.2% of 1,634,726 farms were operated by owners, 15.6% by part-owners, and only 35.1% by tenants, and .1% by farm managers. In terms of farm area, 55% were tilled by owners, 12.2% by part-owners, 25.2% by tenants and 7.6% by farm managers. His observations would be true in the tenancy areas of Central Luzon, but it would lose its force in all other parts of the country.

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the country in a message in the closing session of the Philippine Legislature (November 14, 1935) just before the Commonwealth of the Philippines began its existence. The achievements were:

1. Higher standards of diet, clothing and housing have lifted the Filipino labourer far above the level on which he formerly lived.
2. State funds have been provided out of which railroads, highways, bridges and ports have been brought into useful being.
3. State payrolls make possible the highest average salary for government employees, and the largest number *per capita* to be found in the Orient or Tropics.
4. Private capital is available for investment in sugar mills, oil mills, stores and offices, lands and houses; capital that has been used to modernise the old industries and create new ones.
5. Less tangible but equally important are the acquirement of better health, wider education and higher scientific and artistic culture, and all the chain of advancing social standards which came with an expanding and diffused economy."¹⁸

Even the late Manuel L. Quezon, first President of the Commonwealth, speaking at about the same time, described their plight in the following:

"Has the progress . . . made by the Philippines benefited our poorer population? The poor still has to drink the same polluted water that his ancestors drank for ages. Malaria, dysentery and tuberculosis still threaten him and his family at every turn. His children cannot all go to school, or if they did, they cannot even finish the whole primary instruction for one reason or another.

Roads from his barrio or his little farm to the town there are none. Only trails are within his reach—trails that have been formed by the daily pressure of his bare feet and not because they have been constructed. As he works from sunrise to sundown, his employer gets richer while he remains poor. He is the easy prey of the heartless usurer because usury is still rampant everywhere despite legislative enactments intended to suppress it. That is, concisely speaking, the lot of the common man in our midst, after America's long endeavour to give to all fair opportunity in the pursuit of happiness and the enjoyment of life."¹⁹

Goods obtained from foreign trade through exports are used mostly by a small group.

"As a large part of the population has not yet reached the industrial stage, some being still primitive, there is not the demand for the advance machine products of a highly industrialised civilisation. Native hand-woven fabrics and crude utensils are much used in the regions removed from the larger towns. There is, however, a considerable population made up of Malays, Chinese, mestizos (half-breeds) and Caucasians accustomed to the products of an industrialised civilisation. The requirements of these classes are met chiefly by foreign commerce."²⁰

18. *The First Report of the United States High Commissioner to the Philippines* (November 15, 1935, to December 31, 1936), Washington, 1937, p. 116.

19. *Message of President Quezon to the National Assembly, October 18, 1938*, as cited in the *Second Annual Report of the United States High Commissioner to the Philippines, for 1937*, Washington, 1939, p. 40.

20. Philip G. Wright, *op. cit.*, p. 236.

Even in the period 1945 to 1949, the workers' position has not improved. There was such a large difference between the rise in wages and that of prices, and profits were abnormally high as indicated by:

"the available data on corporate profits and the large volume of investment financed by retained profits in business and agricultural enterprises . . . unusually large savings held in the form of dollar assets."²¹

From these sketches, and by striking a balance between two opposite forces—the net effect between factors which tended to expand and those which tended to reduce the demand for foreign exchange on one side, and the net effect between factors which tended to induce and those which tended to reduce the supply of foreign exchange on the other, there emerges a mosaic revealing the country had ample international reserves and thus was more or less stable in the first three decades of this century. In the later part, the instability caused by the Japanese administration was also present in the years following independence: this was largely due to the lopsided nature of the economy. Portents of instability were visible when the Independence Act was framed, and the reports of the various governmental bodies created (e.g., the National Economic Council in 1935, the Joint Preparatory Committee for Philippine Affairs in 1937, the Joint Philippine-American Finance Commission in 1947, the United States Economic Survey Mission to the Philippines in 1950) to study the means of cushioning the impact of the loss of a sheltered foreign market are evidences of the recognition of those factors which endanger the stability of the Philippine economy. The problem boils down to not losing the privileged position for Philippine agricultural exports in the American market, while at the same time protecting infant manufacturing in the Philippines against foreign competition. Prices which will not be beyond the purchasing power of the people constitutes another factor to be taken into consideration.

In an overall assessment of the different factors contributing to stability or its lack thereof, care must be taken not to project present-day objectives and standards to a past era. Thus, what is acceptable as the minimum degree of unemployment today would be an idealistic, hard-to-reach goal in the early thirties. Similarly, what is accepted as the minimum criterion for stability today would be preposterous if presented in earlier years. Stability concerns itself with a value—a positive value. Unlike security, which is a negative concept dealing with the absence of dangers, unlike permanence which suggests of long duration, stability represents positive values of duration, solidity and quietness. Permanent conditions may be bad, but stable conditions are held to be generally good. This value judgment, when applied to the Philippines by means of the standards of the past—in the years in which the various events occurred—then certify that, for the greater part of the first half of this century, the Philippines was stable.

21. *Bell Report*, p. 19.

The Colombo Plan and Australian Foreign Policy⁽¹⁾

By Creighton Burns

Foreign economic policy is two-sided. Trade and monetary relations cover two distinguishable but inter-related considerations—(1) the external aspects of a nation's domestic economic policy, and (2) the economic aspects of a nation's foreign policy. In other words, Australia's trade policy, for example, is relevant to both Australia's current living standards and to Australia's political relations with other countries.

These two aspects of foreign economic policy are not necessarily complementary. To take one example which has been the subject of a recently-reported dispute in Cabinet—a policy of developing Australia's trade with Communist China might result simultaneously in an economic gain, in terms of increased exports, and a political loss, in terms of a conflict with Australia's presumed commitment to United States policy.² The Colombo Plan, too, is an issue which bridges both aspects of foreign economic policy.

External Economic Policy

Recent surveys of Australia's post-war economy have commonly identified a growing internationalism in Australia's foreign economic policy. Professor W. Prest, for example, has discerned a significant trend away from the immature economic nationalism of the 'thirties.

"Before the war international economic policy was primarily trade policy. Apart from Ottawa it was conducted on a bilateral basis and was actuated primarily by self-interest. The element of self-interest is, of course, still present, but commercial and monetary policy must now be formulated within a multilateral framework which at least admits the existence of the rights and interests of others. At the same time Australia's pursuit of an independent foreign policy has implied the assumption of previously unrecognised obligations to other countries, particularly to Asian countries. Moreover, domestic ideals of full employment and economic development have impinged at more than one point on external relations. Thus international economic policy has become immeasurably broader in both scope and method. The change is a reflection, partly of Australia's increasing maturity and partly of the growth of international collaboration among the nations of the world."³

1. This article is based on a public lecture originally given at Canberra University College in April, 1956, and later expanded and qualified as a paper for the conference of the Victorian Branch of the Australian Institute of International Affairs in November, 1956.

2. *Melbourne Herald*, June 26, 1957.

3. Gordon Greenwood and Norman Harper (Eds.): *Australia in World Affairs, 1950-1955* (Cheshire, 1957), p. 147.

Even this cautious conclusion probably needs some qualification. Many of the changes that have occurred in Australia's foreign economic policy since the Second World War seem to be matters more of form than of substance.

Australia's participation in international economic organisations is such a change. Australia's enthusiasm and support for most of these institutions has been distinctly muted. The General Agreement on Tariffs and Trade (GATT) was opposed by the LCP in Opposition, and later barely tolerated. There was strong opposition from the industrial wing of the Labour movement to the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). On balance, Australia has shown considerably less enthusiasm for the institutions of international economic co-operation than it has for regional security pacts.

Australia's attitude to IBRD is, perhaps, characteristic. Already a comparatively developed, and certainly very rich, country, Australia has used IBRD to finance development and the dollar deficit which has resulted from the failure of our export earnings to match our import requirements. Australia's drawings from IBRD have been disproportionately high—much higher than those of the strictly under-developed countries of Asia and Africa. This policy can be, and has been, justified on the grounds that IBRD is restricted by its charter to self-liquidating investments, and very few projects in under-developed countries come within this category. On the other hand, Australia has consistently opposed the establishment of the Special United Nations Fund for Economic Development (SUNFED) which was to supplement the existing institutions for international investment which make an inadequate provision for the needs of underdeveloped countries. Evidence of this sort suggests that Australia's participation in international organisations has not seriously qualified Australia's traditional economic nationalism. In international economic affairs Australia still operates according to the "Jack system".

Similarly, advocacy of international full employment commitments is barely a sign of growing internationalism. It is little more than sound self-interest for a heavily dependent economy. Even the main motivation for mass immigration seems to have been essentially autarchic.

Membership of GATT has, in fact, made little real difference to Australia's trade relations.⁴ Minor concessions have been gained and conceded. But Australia remains a highly-protected economy, exporting primary produce and importing largely machinery and materials for local manufacture. Formal multilateralism has in no way qualified this basic autarchy.

It might be fairly suggested then that Australia's external economic

4. *C.f.*, D. F. Nicholson: *Australia's Trade Relations* (Cheshire, 1955).

activity is not so much the result of a coherent, centrally determined policy, but rather a series of *ad hoc* reactions to the changing circumstances of the national and world economic situation; and that despite its comparative incoherence, it has remained essentially nationalistic.

The trend is probably inevitable. Australia is a pluralistic community. Its political arrangements facilitate sectional pressure. The operations of marketing boards, and particularly the Tariff Board, indicate an absence of positive external economic policy and a philosophical acceptance of the sum total of sectional policies as a reasonable substitute.

But this conclusion needs several qualifications. Although economic development in Australia has been comparatively mindless, governments of both sorts have accepted responsibility for maintaining both internal and external stability. The varied application of import and currency controls has been the main instrument of external aspects of this policy. The effects of such a policy have sometimes given the misleading impression that the government is either intervening on behalf of one sectional group against another, or attempting to influence the pattern of economic development. The most significant Government intervention in the present period has been the negotiation of a new trade agreement with Japan. The agreement itself was essentially an act of stabilisation, an attempt to ensure that Australia would retain Japan as an important customer for its wool and wheat.⁵ It provides the one clear example of a retreat from extreme protection, and of the Government's willingness and capacity to force a policy against extremely strong sectional pressure.

Secondly, the expansion and diversification of exports has now become part of established policy. The Department of Trade has been energetic in attempting to encourage the development of exports. The Trade Commissioner Service has been strengthened. But so far there has been little change in the structure of Australia's export trade. Though the share of factory products in Australia's exports has risen from 20% of the total export value in 1949-50 to 33% in 1955-56, this increase has been largely due (with the exception of metals) to changes in prices, and not to an increase in the volume of manufactured exports.⁶ Australia may now have an export policy, but it is not yet an effective one.

Economic Aspects of Foreign Policy

Probably the most important element in Australia's foreign policy proper has been its participation in foreign aid programmes, particularly the Colombo Plan. And certainly those who can identify a growing trend towards internationalism in Australia's foreign policy point to the Colombo Plan as primary evidence of this change.

The Colombo Plan has now been in effective operation for six years.

5. *Overseas Trading*, Vol. 9, No. 14, 1957.

6. *Op. cit.*, Vol. 9, No. 11, 1957.

Its thirteen recipient nation members cover the full spread of South and South-East Asia, while the six donor nations link the communities of the Atlantic and the Pacific. Ideologically, the Colombo Plan has been successfully eclectic. It has coupled incompatibles—nations which are members of the Western military alliance with those in the van of militant non-commitment; liberal parliamentary democracies with benevolent *de facto* dictatorships; political systems stable to the point of boredom with those where chaos is endemic. It cuts across all other alliances except those stemming from the Soviet Union. Its administrative machinery, self-consciously designed to facilitate voluntary co-operation and mutual self-help, is working smoothly. In all this it bears the marks of a growing international concern.

Support for the Colombo Plan has always been part of the official policy of the two main Australian political parties. But this implied agreement is bipartisanism by default. For neither the Government nor the Opposition have shown any real enthusiasm for the Colombo Plan—if *Hansard* is any guide.

In the major debates on international affairs in the House of Representatives during the last two years no member has devoted the major part of his speech to the Colombo Plan, though several back-benchers, particularly (but not exclusively) on the Opposition side, have entered special pleas for a larger Australian contribution to the scheme.

The Colombo Plan owns a modest place in party policy. In his most recent statement to Parliament on international affairs the Minister for External Affairs (Mr. R. G. Casey) devoted no more than one-twentieth of his speech to a brief survey of the Plan, and made no attempt to evaluate its part in the Government's overall policy.⁷ In this regard his speech was in no way exceptional. In his reply the Leader of the Opposition (Dr. H. V. Evatt) made no reference to the Colombo Plan at all.⁸ Similarly, the Prime Minister (Mr. R. G. Menzies) completely ignored the Colombo Plan in his latest major statement on foreign policy to his own party.⁹ A reading of *Hansard* suggests that the Government values the Colombo Plan mainly for its minor contribution to the Western (and Australian) strategy of defence against Communism. What difference there is in the Australian Labour Party's attitude lies mainly in its emphasis on the need for economic rather than military counters to Communism, together with the fact that it is easier for an Opposition party to indulge itself in the luxury of humanitarianism.

A second measure of the status of the Colombo Plan in official policy is to be found in the budget. Australia's contribution to the Plan is now running at a stable £5 million. This amounts to 0.1 per cent. of

7. Commonwealth of Australia, Parliamentary Debates, 22nd Parliament, 2nd Session, 2nd Period; 1957, p. 2914 ff.

8. *Op. cit.*, p. 2924 ff.

9. *Current Notes*, Vol. 28, No. 10, October, 1957, p. 822 ff.

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national income, and about one-fortieth of current expenditure on defence. This allocation, together with the public evaluation by both Government and Opposition, suggests that the Colombo Plan rates a very low priority in Australia's foreign policy.

But if one is to say more than this about Australia's attitude towards the Colombo Plan it is necessary to list the possible functions of traditional aid programmes (of which the Colombo Plan is an example) and assess official attitudes against these possibilities.

Possible Functions of Foreign Aid Programmes

Any foreign aid programme like the Colombo Plan could have one or more of a number of functions in the foreign policy of the donor country.

(i) The Colombo Plan could be not an act of policy at all, but rather a simple humanitarian gesture, an act of pure charity, or an exercise of *noblesse oblige*. And no one who reads the official statements or reports of the parliamentary debates could avoid concluding that there is a touch of this in Australia's attitude to the Colombo Plan. But humanitarianism alone would not account for an annual allocation of £5 million to foreign aid.

(ii) The second possible function of a foreign aid programme like the Colombo Plan is straight-out trade promotion. Here there is little evidence which bears one way or the other. But what there is suggests that private interests are aware of the possibilities, and that the Government is prepared to consider the special claims of particular commodities. The Liberal Member for Angas, South Australia, received a non-committal offer to investigate when he asked the Acting Minister for External Affairs to try to arrange for the shipment of Australian dried fruits to Asia under the Colombo Plan in order to open up a new market and assist an industry that was in difficulties.¹⁰ And again, in answer to a question about the composition of Colombo Plan aid to Indonesia, the Minister for External Affairs (Mr. Casey) said—"Whenever surpluses of Australian primary products are available, the possibilities of making gifts of flour are always carefully explored. During the past four years Australia has provided assistance in the form of wheat and flour to countries which are members of the Colombo Plan. To 30th June, 1956, total Australian expenditure on this form of assistance was £7,200,000."¹¹ But even a multiplication of this sort of evidence would not imply that the Colombo Plan was primarily a trade promotion scheme, in intention and administration. Trade promotion is probably the inevitable by-product of all foreign aid programmes.¹²

10. Commonwealth of Australia, Parliamentary Debates, 21st Parliament, 1st Session, 3rd Period, 1955, p. 1168.

11. *Op. cit.*, 22nd Parliament, 1st Session, 2nd Period, 1956, p. 1675.

12. C.f., Seymour Harris: *The European Recovery Programme*, Harvard University Press, 1948.

(iii) Again, the Colombo Plan could be something like a long term economic insurance policy; a policy aimed at future, potential trade rather than present trade; a policy of building up the economic strength of this part of the world as a whole.

This attitude has in fact been one of the continuing themes of Australia's support for the Colombo Plan. The then Minister for External Affairs (Mr. Percy Spender) emphasised it in his first major speech after the original Colombo meeting when he stressed the material value of Asia to the rest of the world and the enlightened self-interest which justified Australia's support for the Colombo Plan.

"It is not the purpose of the scheme that it should be a matter of what I might call "handouts" to Asia. We contemplate that it should aim at stimulating the productive capacities of these countries, and to that extent we look upon it as the prelude to the promotion of trade from which Australia can profit in full measure."¹³

Enlightened self-interest has remained a constant (perhaps inevitable?) theme in both Opposition and Government back-bench speeches since 1950.

(iv) Again it is possible for a foreign aid programme to be used as an instrument of direct political pressure. What evidence we have suggests that the Colombo Plan is not this. The organisation of the scheme virtually precludes this possibility in any case. Both the present Government and the Opposition are openly opposed to "strings" on Colombo Plan aid. And anyway, SEATO would be a more obvious mechanism for aid which is meant to produce political conformity.

(v) Indirect political pressure, of a vaguer sort, is, of course, a real possibility. Here quite a number of people seem to hope that the Colombo Plan will have a purifying effect on Asian societies. The Technical Assistance Scheme, for instance, has been defended on two grounds. Firstly, that it enables us to export our way of life. Asian students will return to their own countries with new insights into, and a new appreciation of, the life we live. The second claim is that we get a good press in Asia because of things like our Colombo Plan Scholarships. The objection that could be raised to this attitude is not that it is bad policy, but rather that public relations techniques are not, of themselves, a substitute for policy.

Moreover, it is here that the tendency to divide foreign policy into separate compartments becomes dangerously relevant. We genuinely push the Colombo Plan as a sound policy and a worthy act. At the same time we pin our hopes and faith to SEATO despite the fact that most Asian nations dislike and even suspect it. We back Britain and France over the Suez crisis, despite the united opposition of Asia. And we have openly

13. Commonwealth of Australia, Parliamentary Debates, 19th Parliament, 1st Session, 1st Period, 1950, p. 630.

and publicly supported the British Colonial Office in its argument with Singapore about that country's future independence. Together these policies could totally destroy what public relations value the Colombo Plan has. It is pointless, and in rather bad taste, to ask Asian nations to stand up and be counted in the cold war, unless we too are prepared to stand up and be counted on their side on some of the issues that touch them most closely.

But to return to the list of the possible functions of foreign aid.

(vi) The Colombo Plan has been thought of, right from its inception, as a political tranquiliser. From the early reports of the Commonwealth Consultative Committee¹⁴ to Mr. Casey's foreign policy statement in February, 1956,¹⁵ it has been based on the continuing assumption that economic growth and stability are *the* antidote for political unrest. It is thought that revolution (and particularly Communist revolution) is the product of economic distress, of poverty. And the Colombo Plan has been promoted in Australia, and in other countries, too, as at sort of political Salk vaccine for Asia.

While this is certainly an admirable attitude in its own way, there are two problems associated with it. The first is that it's quite probable—indeed highly likely—that economic development will be just as socially and politically disturbing as stagnation and poverty. In the history of the industrial revolution it is surely not just a coincidence that the 19th century was a century of revolutions. The Chartist movement in England was more a protest against the anarchy of economic progress than a demand for liberal democracy. The situation in Asia is even more susceptible. Rapid industrialisation must break up old communities, and break down old loyalties. Political unrest is almost an inevitable by-product, and it would not be at all surprising if it were successfully exploited by existing political organisations. The second problem about the Colombo Plan and political stability is this. A political and social revolution is probably a pre-requisite for successful economic development in most Asian countries. Rapid industrialisation demands an attitude to society quite different to that characteristic of rural communities with remnants of semi-feudal organisation.¹⁶ Moreover, it is a bit unrealistic to expect the landed and merchant middle classes to organise and administer an economic programme which would probably undermine their own political and social status.

In this sense, the Colombo Plan presents Australia and the Western world with a real dilemma. In the early days of the Colombo Plan it was

14. *The Colombo Plan*, London, September-October, 1950, H.M.S.O. Cmd. 8080, Chap. 1.
15. *Current Notes*, Vol. 27, No. 2, 1956, p. 82 ff.

16. C.J., Clark Kerr, et. al.: "The Labour Problem in Economic Development," *International Labour Review*, Vol. LXXI, No. 3, 1955; Clark Kerr and Abraham Siegel: "The Structuring of the Labour Force in Industrial Society," *Industrial and Labour Relations Review*, Vol. 8, No. 2, 1955; Bert. F. Hoselitz: "The City, the Factory, and Economic Growth," *The American Economic Review*, Vol. XLV, No. 2, 1955.

fashionable to talk about under-developed countries being caught in a vicious economic circle. Because they were poor they were likely to remain poor. They needed capital to increase productivity and raise their living standards. But because their living standards were already low they simply did not have the capital. Hence the need for the Colombo Plan.

Now it might be appropriate to admit the operation of another vicious circle—the politically vicious circle in which the Western world is caught. Because we want to see Asian political unrest damped down we are sponsoring foreign aid programmes for economic development. But the faster the economic development the greater the political unrest. In trying to guarantee our own political security we only imperil it.

(vii) There remains one other possible function for a foreign aid programme like the Colombo Plan, I have already parenthetically mentioned—the catalytic injection of capital and skill into an under-developed economy in order to produce the action which results in increased productivity, rising living standards and rapid development. Or, to use the other somewhat platitudinous analogy, the detonation necessary to enable Asian economies to break out of the vicious circle.¹⁷

This is the third main continuous theme in Australia's attitude to, and support for, the Colombo Plan. Here the desirability of Asian economic development is taken for granted. The Colombo Plan is simply a technical device to bring about the desired end.

But in order to assess the effectiveness of the Colombo Plan and Australia's contribution to it, it is first necessary to look in a little detail at the present economic position in Asia.

Asia's Economic Predicament

The road for Asia, as the Commonwealth Consultative Committee has recently pointed out, is definitely "uphill".¹⁸

Despite a natural tendency to record the highest common denominator of confidence, the Sixth Annual Report of the Consultative Committee, for the period 1956-57, does not sketch an exciting future for the people of South and South-East Asia. Certainly, significant gains have been made since the inception of the Colombo Plan. Public expenditure on development has risen, though not evenly or constantly. There has been a considerable increase in the production of food grains in most of the food exporting countries. Most of the extractive industries are expanding steadily, although the output of tin and coal is falling in Indonesia, and the production of iron ore is stationary in India (the largest producer). But industrial production increased at a slower rate in 1956 than in the previous year, and showed signs of levelling off in the first half of 1957.¹⁹

17. *The Colombo Plan*, London, September-October, 1950. H.M.S.O., Cmd. 8080, Chap. X.

18. *The Colombo Plan*. Sixth Annual Report of the Consultative Committee. H.M.S.O., Cmd. 315, p. 24.

19. *Op. cit.*, Chap. I.

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Apart from the permanent pressure of rapidly-rising populations, two trends in particular have been slowing down economic development. One is internal inflation, itself the product of development expenditure. The other is the growing burden of balance of payments difficulties. The terms of trade have swung heavily against Burma, Ceylon, India, Malaya, Pakistan and the Philippines.²⁰

The general trend is discouraging.

Ceylon is the only Colombo Plan country which has managed to run, since 1948, an annual rate of increase in *per capita* gross domestic product above 5%. For Thailand and the Philippines (countries which have received a disproportionate share of American aid) the figure is just above 4%. For India 1½%. Consumption expenditure per head, as a measure of living standards, shows a real increase in Japan and the Philippines, a slight improvement in Ceylon and perhaps Burma, and stagnation in other countries. The *per capita* gain in agricultural production for the Asian area as a whole has been practically negligible in the last seven or eight years. And it is still below the pre-war level. At the moment, then, most Asian countries have a perilously narrow margin above disaster. It is just as well the recent seasons have been comparatively good in most countries.

Apart from this, there is no good reason at the moment to be very optimistic about the prospects of future development. Certainly Burma has a high and apparently rising rate of gross capital formation—increasing from 10% in 1950 to just under 22% in 1954. Other countries compare less favourably. Ceylon topped the 10% mark over the last five years, and India just failed to reach it.

In general, to quote the conclusion of the 1956 ECAFE Survey, there is "little room for complacency." Asian economies are not developing fast enough to do much more than just keep up with their growing populations. In comparison to the industrialised developed countries of the world they are dropping back, both in terms of living standards and productive capacity.²¹

What is the relevance of this picture for the Colombo Plan, and for countries like Australia which have sponsored it? There are, I think, three possible conclusions: (i) The first is that it is much too early to judge, but that things will certainly improve when present long-term investment programmes begin to be really productive. That seems to be the official attitude of the Commonwealth Consultative Committee and of the Australian Government too. (ii) The second possible conclusion is that the present catalyst is not strong enough. What is needed is a bigger

20. *Op. cit.*, p. 16.

21. ECAFE—*Economic Survey for Asia and the Far East*, 1955, Part I, Chap. I.

detonation than the present Colombo Plan. That I think is the implied conclusion of the Economic Commission for Asia and the Far East.²²

(iii) The third possible conclusion is that a catalyst is not enough.

The Case for International Redistribution

But first, look for a moment at the second proposition—that the Colombo Plan will not start paying off for a few years. But now we are committed to co-operation in this venture, patience is surely a counsel which we cannot politically afford to give. It is not our living standards that we are being patient about, but Asia's. Politically it is now our turn to stand up and be counted.

It seems, then, that there is at least a *prima facie* case for an immediate reassessment of the Colombo Plan and our contribution to it. Is our contribution large enough? Is the proportion between capital aid and technical assistance right? Is this technical assistance being provided in the most suitable way?

There are obvious arguments against increasing aid to Asian countries.²³ It has been said that we are simply further strengthening our potential enemies. Even if that were so, it would be a risk we would simply have to take. At the very worst, the choice for the West is between watching Asian economies develop under authoritarian regimes (which, of course, is in a sense the most efficient way of doing it), and, on the other hand, giving stronger support to governments which are now, inevitably, unstable, and which may well in the future behave in ways which do not altogether suit our interests.

Again, it could be objected that Asian skills are insufficient to cope with the present level of investment. But that is not an argument against increasing our contribution to the Colombo Plan, or even against increasing the *proportion* of capital aid in our contribution. It is an argument for increasing the *amount* of technical assistance.

Thirdly, it might be objected, as it was by Britain and America in the case of the High Aswan Dam in Egypt, that because few Asian economies are the last thing in administrative and financial efficiency, any additional capital would be wasted or extravagantly spent. But that is surely the whole point. That is what one means by an under-developed country—one where the levels of efficiency are not big enough. The cost of development must, of necessity, be more expensive in an under-developed country than in an economically-advanced one. Profit and loss accounting cannot apply to social progress.

22. *Cf.*, Sir Douglas Copland: "Australia and the Changing World in Asia," 8th Roy Milne Lecture, A.I.I.A., Hobart, 1957.

23. For a highly sophisticated case against increasing unilateral aid to politically uncommitted Asian countries, see George Kennan's fifth Reith Lecture, "Russia, the Atom and the West," *The Listener*, Vol. LVIII, No. 1498, December 12, 1957.

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There is, then, a case for an immediate increase in our contribution to the Colombo Plan. But can we safely assure that the same medicine as before, only in larger doses, will do the trick? We cannot be sure that it will. It may be that the concept of the Colombo Plan as a catalyst is unreal, and dangerously so, because it contains the elements of its own invalidation.

Firstly, it is not just the stickiness, the sluggishness, of Asian living standards and productivity that matters. The *gap* between Asian and Western living standards and productivity is probably much more politically important. And the gap is getting wider all the time. And it is politically essential that we should start closing it straight away, not in ten or perhaps fifteen years time.

Secondly, there is a real chance, though one cannot be sure, that the Colombo Plan, as it operates at present, is actually helping to widen the gap. The argument is simply this. By coming into closer contact with industrially-developed countries and observing the fact that standards of living are comparatively high there, and apparently increasing for the most part, people in under-developed economies tend to concentrate too much on acquiring consumer goods, at the expense of investment. To put it another way, the more rapidly our living standards rise comparatively, the harder it is for under-developed countries to persuade themselves of the virtues of thrift, austerity and investment as the way to increase productivity and future welfare. We are not a very good example, and anyway it is rather arrogant for us to be suggesting that they should save for austerity, while we are spending for satiety.

If this is a real dilemma, what is the way out for Australia and the Western world? A possible answer would be something like international redistribution of income.

The non-Asian, industrially-developed, world is confronted with two political problems. So far, it has only considered the first. These problems are (i) how poor can it afford to allow Asia to be? and (ii) the second, unconsidered problem is, how rich can it afford to be itself? Or to be a little more exact, how high can it afford to allow its current consumption to rise?

The deficiency of the Colombo Plan is that it seems to be an inadequate answer to the first problem, and that it does not really begin to deal with the second.

The gap between Asian and Western living standards and productivity is widening. There is no very good reason to suppose that it will start closing of its own accord in the near future. The obvious way to begin reversing the trend is by redistribution, in rather the same way that many Western nations have been using the budget and the social services to iron out the drastic inequalities in their own communities.

The obvious immediate criticism of this sort of recommendation is that it is hopelessly utopian. But it is not really as improbable as it seems. The Colombo Plan itself marks a quite distinct change from the international relations of the 'thirties. And already a proposal has been put to the United Nations that the developed countries should make a flat-rate contribution of 1% of their national income for development projects in the less-advanced countries.

Foreign aid is not, of course, the only essential ingredient for economic development in Asia. The negotiation of international commodity agreements to ensure stable and rising export earnings would also be a substantial contribution to their economic prospects. So far little progress has been made in this field because of the weak bargaining position of the under-developed countries themselves and the reluctance of the developed countries to make concessions.

Equally important, perhaps, is the ability of under-developed Asian countries to find export markets for their gradually developing industries. Here, the picture is an increasingly gloomy one. The 1956 GATT Report indicates that trade between the industrialised and the non-industrialised countries is diminishing. The maintenance of high tariff protection in Australia is only a very minor contributing factor in this world trend. But a willingness to accept Asian manufactured imports at least in specified fields would be a valuable contribution to Asian economic development.

Conclusion

A scheme of this sort would involve certain changes in Australia's foreign policy.

(i) Australia should openly support international redistribution in the United Nations. It would probably be better, both economically and politically, to start with a fairly low percentage and build it up gradually over the years. Similarly, it would be sounder policy to suggest a flat percentage contribution from all developed countries for a start. A graded scale, with higher percentage contributions from richer countries, could be introduced later. (ii) Australia should immediately increase its contribution to the Colombo Plan and other aid programmes. Even if we raised our contribution to the Colombo Plan to 1% of our national income immediately, it would not, of course, make the world of difference to the economic prospects of Asia. But it would immensely strengthen our hand in suggesting that other countries should act similarly. It is unreal, and certainly rude, for us to urge America to increase its aid to Asia unless we indicate our willingness and ability to accept a comparable burden. (iii) We should revise the technical assistance programme. As well as bringing Asians here to acquire skills, it would be much more appropriate

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if we sent Australian technicians and administrators to work in Asian institutions. The problem of Asian development is one on which we have got at least as much to learn as they have. (iv) We should investigate the possibility of increasing our imports from Asia, either by direct negotiation or tariff modification.

The more political aspects of our foreign policy would need to be brought into line with this approach.

(i) For instance, it would be much more appropriate if we gave up our youthful ambition to play in the big Western league and concentrated on improving our status in Asia. In particular, we ought to be backing Asian countries on issues in which their interests are clearly at stake, even if this does involve minor disagreements with Britain and America. Singapore's independence is, I think, one such issue. It is probably more than time that we revised our attitude to SEATO. It is pointless to *base* our foreign policy on something which is really anathema to most Asian countries. And it might be wise if we bought out of the argument about West New Guinea. (ii) Finally, it would be good sense if Australia accepted the fact that radicalism is politically probable and economically realistic in Asia.

The United States Looks Outside

By Charles B. Hagan

The central body in the picture that the United States sees when it looks beyond its borders is the Communist International. There are a few figures associated with the International, but they are linked to it by color tones or by heavily drawn lines. Communist International is located in the centre of the canvas and seeks to increase in size by pressing outwards in all directions. The United States has sought to unite all the masses and bodies outside of the centre into a counter-balancing structure. It, too, has generally used a color theme, and it includes all the colors except red. The lines that tie together the multiple groups are more lightly drawn. It is the intention of the United States to make this peripheral organised pattern at the very least equal to the mass at the centre of the picture. In its more optimistic moments it hopes to be able to erase the heavy lines that now united the Soviet Union with its geographical neighbours.

The United States had the Soviet Union as an ally for a brief period. It was a relation that was uneasy on the United State's side from the outset. Two years' experience (1945-47) was enough to make the shift from ally to future enemy. The transitional episodes took place in Berlin, Austria, the United Nations and elsewhere. The year in which the volte face was completed was 1947. As Britain announced its withdrawal from Greece, the United States moved in with the Truman Doctrine. That step was supplemented by the Marshall Plan for economic aid. The rationale for shift was stated in X's article in the United States periodical *Foreign Affairs* in 1947. The policy embarked upon by the United States required it to gain allies or friends in all those areas adjoining the Communist Internationale so as to confine the "enemy." The fact that the policy allowed the Soviet Union to have the shorter lines of communication and the United States to have the longer could be met presumably with friends and their enormous resources. There was no alternative, in any event, if the Communist International was to be restrained for the present and weakened for the future.

This shift in U.S. policy was not taken without severe wrenches. The United Nations represented at the time the appeal of universalism and the United States was deeply committed to it, yet the new policy by implication at least, denied the validity of the universal point of view and meant a "reversion" to power and sectional politics. The developments in the subsequent years have borne out that implication. The character of the United Nations has adjusted to that change. That change is one of a number of fundamental changes going on in the state structure of the world, and all those changes have impinged in greater or less degree on this underlying

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struggle with the Soviet Union with its friends and the United States with its associates. Many of the developments taking place in the world are exciting, but it is not the task here to describe or discuss them. The main purpose here will be to describe the central theme of United States foreign policy. That policy will be described first in its geographical setting. Then a brief survey of the consequences for the U.N. will be made.

I.

In the domestic politics of the United States there is an occasional squabble about foreign policy. One of these is whether the Asiatic or the European facet of international relations is the more important. The issue never quite gets stated in such bald terms, but the occasional domestic controversy, for example, between Knowland and Eisenhower or a more famous one between Truman and McArthur, is best explained as turning on the relative importance of the West or the East to the United States. Generally, the European side of that controversy has won out in domestic politics, but its victory is usually a question of degree for the Far East always gets attention. The European side got the major attention in World War I and the same area got attention first in World War II. The concern in the United States with International Communism has centred on Europe, with the Far East running a close second. It will not be necessary to make a decision on relative importance, for both regions have been getting substantial attention since 1947. I start with the European side.

The North Atlantic Treaty Organisation is the means of meeting the Soviet threat in the European region. The area within the scope of the Organisation starts with Canada and the United States on the west; Iceland, the United Kingdom and Norway bridge the northern Atlantic; Denmark, The Netherlands, Belgium, Luxembourg, West Germany, France and Italy bring in the western rim of the European continent; Greece and Turkey complete the semi-circle around the Soviet system of East European alliances. It is clear that North Atlantic Treaty Organisation is a misnomer, for the Mediterranean is included. Portugal is also included in some measure, for the United States has rights to defend her islands in the nearby Atlantic waters. Parenthetically it may be noted that the United States has negotiated an agreement with Spain, whereby the former will construct and maintain defensive bases in the latter. NATO, the short name for the European organisation, provides a permanent central administration with military forces, plans and tactical understandings. The parties to this arrangement do not always agree easily, as the recent news stories indicate, and there is constant negotiation to maintain the detailed working plans. Despite these "friendly quarrels," the members of NATO are in agreement on the desirability of an organisation for restraining the expansive character of the Communism. The "quarrels" are about the techniques of best accomplishing that goal. That these can be substantial may be seen

in the recent developments in long range missiles and atomic warheads, where preliminary skirmishing seems about all there will be in the next World War. The controversies about the location of missile-launching plants in Europe and Britain, about the sharing of costs of maintaining forces in Europe, and the multitude of details, promise to continue, but it is certainly the hope on the side of the United States that these may be settled by friendly discussions and will continue to be so settled.

Supplementing the NATO arrangement, the United States has air bases in some of the North African countries. These bases are part of the effort to ring the Soviet Union. Since these are located in some of the newly created countries, there is occasional concern about stability of the domestic governments. The new countries are Moslem in religion and Arabic in culture, so they are potential allies to any unified Arabic movement. They have also only recently acquired their independence and still are sensitive about commands, or even requests, from the former colonial overseers. The latter are the European countries that are now in NATO, and the United States has sought to dissociate itself from those nations in its dealings with the new African nations. In turn, that occasionally brings about ill feelings between the U.S. and its European associates. The recent episode about the U.S. barrel of rifles for Tunis is indicative of the situation. The United States has sought to keep itself clear of imperialistic taints and simultaneously to maintain good relations with former imperialists. It is not easy to draw such a line without seeming to shade it a bit heavier on the one side than the other. The means of removing the seeming shade will often mar the cleanliness of the drawing. Obviously this is a skill that the United States has not always had, but if the picture is examined with care, it will be seen what the United States is about.

A second supplement to the NATO may be found in the Distant Early Warning line (DEW). This line is a radar screen drawn across the northern approaches to the United States and Canada. This screen is supposed to alert the defensive posts and from there orders can quickly be sent to any bases, so as to start the counter forces on their destructive runs to the Communist countries. The deterrent effect of the ring of bases becomes an important feature of the total picture.

NATO, the air bases and DEW may be said to constitute the negative and restraining policy of the western European countries. It may be asked whether there is a positive side to the policy? The answer is in the affirmative, and the basic part of the answer is that each of the European countries should be free to select its own government in a free election. This would mean an open election, with all eligible voters participating in the choice. It would require a free and open campaign by the opposing points of view, and then an election, in which the count of the ballots was honest. The group or party that won the majority of votes should form the governing body and determine policy. In practice that positive policy implies an

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election in East Germany, in Poland, in Czecho-Slovakia, in Hungary, in Rumania, Bulgaria, and Albania. Each country would make an independent decision and remain independent. The United Nations, with its agencies, would become the main international organisation. Universalism could then come into its own, and regional agreements could be voided in behalf of the world arrangements.

II.

The second major region in which the struggle between the Communists and the remainder of the world has broken into the open is the Far East. The Communist organisations in China succeeded in ousting the Nationalists, who fled to Formosa. China has since become the centre of the spreading Communist activity in the entire region. Communists in the various regions of the area have joined with local independence movements of great variety in order to oust the European countries that have maintained colonies in the area. Indonesia gained its independence from The Netherlands; Indo-China went into prolonged struggle with the French, who governed in that peninsula, and a defeat for the colonial regime was finally achieved; The Philippines, India, Pakistan, Ceylon, and more recently Malaya have achieved independence of their former supervisors without military struggle. In this area in south-eastern Asia, the United States has played a curious role. It has desired to prevent the expansion of the Communist world-wide organisation, but also it has wished not to be tied to imperial regimes. This has been a hard line to maintain. The existing regimes have wished to know what was the position of the United States after it has played a mediating role. Occasionally it has temporarily acted in a harsher manner. Clearly the United States has wanted to absolve itself of any connection with colonial regimes, and that has meant refusing aid to the mother country, even though in other areas that country was an ally. On the other hand, the United States has sought to limit Communist expansion when it was closely tied to the independence movements. The design has been hard to maintain in clear-cut lines. The French have substantially lost their colonies in Indo-China with the emergence of the three independent countries. The United States has at times assisted both sides, and at present it wishes to limit Communist expansion without intervention in the internal affairs of these new States. Obviously, that is a difficult line to maintain.

The South-East Asia Treaty Organisation (SEATO) has been developed with the assistance of the independent countries of the area. Its members are: U.S., G.B., France, Australia, New Zealand, Philippines, Thailand and Pakistan. The organisation is not as tightly knit as the European counterpart, but it is certainly regarded by the United States as a means of resisting Communist expansion. SEATO is developing over the years. It provides for countries in that region a potential supplement to the with-

drawal of traditional forces, but it forms a part of the ring around the Soviet Union for the United States.

The Communist victory on the Chinese mainland has been followed by the overcoming of Tibet and the maintenance of the government in north Korea. The latter attacked the government of the remainder of Korea in 1950. With that development, the United States reversed what seemed to be a policy of withdrawing its defence line further to the east. Korea took its petition to the United Nations and a major international effort to restrain aggression was organised. The Soviet Union was absent from the Security Council sessions when the action of the UN was agreed upon. It has since been an assiduous attendee. The military struggle in Korea provides an example of Communist co-operation against the UN co-operative action in defence of one of its members. An uneasy truce was agreed upon in 1953.

Following the Korean development, the United States has firmed up its activities to restrain Communist expansion. Japan had drawn up a Constitution which made it into a pacific nation, but it has since become an ally of the United States. The United States has continued its support for the Chinese Nationalists with their base on Formosa.

As a result, one can draw a line from Japan and Korea through the sea between the mainland and Formosa and then through the countries in south-east Asia and members of SEATO. The line wavers, perhaps, but the United States and its associates have the desire and, to some degree, the means, to prevent Communist expansion across that line. As the line is drawn westward it wavers with India. That country has sought to play a mediating role between the Soviet countries and the West. The United States has granted aid of many kinds to India. India has refused to commit herself to either side in the Cold War and reserves the right to mediate between the parties. On the other hand, Pakistan, the other occupant of the Indian peninsula, has joined its forces with the West.

The Far East is not as well organised as Europe into the anti-Communist struggle. Many countries are firmly committed to being against the Communists, but the attractiveness of Communism to the native populations continues to be strong. The Communists do not have a record of class differentiation attendant upon colonial administration. Communism also hammers hard to connect the white race and colonial regimes with the past record of the Western nations, and there is enough accuracy in the allegations to make them hard to refute. The aid programmes of the United States and its associates are a major element in a counter programme. The problems and issues involved in working such reforms are just getting their trial runs in many of these countries. It remains to be seen whether they can overcome the magnificent propaganda machines of the Communists.

III.

The remaining regions, South and Central America, Africa south of the northernmost tier of states, and the Middle East, present widely different patterns to the United States. The American states have their differences with the United States, and the latter has revised its behaviour substantially in the last quarter of a century. The version of the Monroe Doctrine as hegemony for the United States has been replaced by the principle of equal treatment. The Pan-American Union has been reorganised and agreements have been entered which insist on equal treatment all around. The United States does not sketch out the lines of behaviour, but it is carefully watchful and seeks co-operation in the prevention of the expansion of Communism in the area. There have been minor episodes in a few countries, but the action that has been taken by American states has not been unilateral on the part of the United States. No major difficulties have occurred, although the Communists have been active in several of these countries.

That part of Africa south of the northern Moslem states has not yet caused any major problems in the United States, and it can be dismissed from consideration here.

That leaves the rich and disturbed area of the Middle East. The area that is involved especially is that of the oil regions in the Arabian peninsula, Persia, sometimes Pakistan on the east, on the west Egypt, and on occasion the north African nations. These extensive areas are included because the Arabic influence extends outward from Mecca and Jerusalem in all directions. Primarily the trouble has arisen in Egypt with the Suez Canal inside its borders, Saudi Arabia, the various sheikdoms, and Iraq, with their huge oil deposits, the pipelines to the Mediterranean, involving Syria and Lebanon, and the new Jewish State of Israel. The latter country, with its religious connotations has implications for both Christians and Moslems, for Jerusalem is an important city in the history of all three religions. Oil is an enormous economic interest to the local families and governments that draw heavily upon it for income, to the United States firms, with their heavy capital investments in recovering the oil and in marketing it, and finally those European countries that have committed themselves to oil as a major source of energy both for transportation and for industry. (In some countries oil is replacing coal as a major source of energy.) On top of these potential sources of conflict the Canal provides the short water route between the east and west, with the variety of economic and political concerns that are tied therein.

The United States has several interests in this area. Israel has been established in part at least because of the demands of United States. Other countries have been pressed in the same direction, but the structure of the domestic politics in the United States enables the Jews who are interested in Israel to wield considerable influence in guiding policy. It

is not meant to convey the notion that there is anything improper or wrong in that activity on the part of the United States, but it is important to recognise the strength of the pressures that support Israel. Moreover, there are few Arabs to influence the domestic political situation inside the United States. The Arabs are likely to get their position formulated and stated if not advanced by the oil companies that have their investments and interests in the area. These are not uninfluential in United States domestic politics. The countries in this area gain support in the United States in another way. Most of them have recently been under the influence of an imperial power. Their rising nationalism gains attention and respect in United States activity.

When all of these influences operate in a single direction, the Arab national ambitions are likely to get substantial attention from United States policy-makers. The oil companies are clearly aware of the tense situation in which they are operating. The experience of the British oil interests in Iran would be enough to warn these companies, if the Arabs were not fully capable of making their meaning clear. The drift toward higher shares of oil production for the Arabs indicate both skill and competence in making their aims and needs known.

There are divisions within the Arab world. Some of these rest on religious differences, some rest on family quarrels, and some rest on means and methods of cutting in on the oil earnings. The pipelines must go through Syria, Lebanon or Israel to reach the Mediterranean. No substantial oil deposits have been found in those countries, but tribute can be exacted for the privilege of laying the pipelines. If trouble arises, those lines can be cut or injured. Such injury of course prevents or slows down the delivery of oil, but that action will reduce tax income, too. The pipeline is to some extent an alternative to the Suez Canal, but so far there is not enough capacity in the lines to reduce the quantity of oil moving by tanker. Some of the companies have anticipated the troubles in the Canal and huge tankers are now in the process of being built which can economically go around Africa.

If all of those factors were not enough to make the Middle East a trouble spot, the strategic considerations both as a source of oil and a very important sea and air route to the Far East, with its resources, markets and Allies, would provide incentive for action by both major parties to the Cold War.

The Baghdad Pact, also known as the Middle East Treaty Organisation (METO), was drawn in 1954. It joins Iran, Iraq, Pakistan, Turkey and Great Britain. The U.S. is not a member, but it supports and participates in many of its activities. The main purpose is to co-ordinate policies of the participants in this area. The United States, it is to be noted, is not a signatory or member, although it shares and urges action in the area.

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The United States Congress in 1957, at the urging of the President, has joined in a declaration that military and economic aid will be given to any country in the area that requests it for the purpose of frustrating Communist goals.

The countries in the Middle East have not yet accepted the protective activity of either side in the Cold War. The long standing and widespread animus in the Arab states against the existence of Israel provides a unifying bond for their activities. The countries seem to have differing ambitions in some measure, for their concern in oil production differs. It is essential to Iraq that production continues to flow. Saudi Arabia is also deeply interested in the continued production, and there are other sheikdoms that are similarly interested. The ambitions of Egypt under its present leadership and of Syria seem to be much more dynamic and aimed at lessening the influence of the western countries. Their associations with the Soviet Union are of a character certainly to alarm the United States, yet the United States are unwilling to sanction, let alone join in, the action of France, Israel and Britain to retain control of the Suez Canal. The matter was taken to the United Nations and the action of Israel, Britain and France was condemned. The United States voted for that action.

These three countries have been close associates of the United States in other parts of the world, and yet when an important issue like the Canal and oil was involved, the United States separated from her associates. The explanation of that action may not be possible until more of the documents are made available. Several observations may be made. In the first place, it is clear that the United States did not want to be labelled pro-colonial, that it did not want the United Nations associated with approval of an action that would be labelled imperialist in many parts of the world, and to accomplish those purposes the United States became an associate of the Soviet Union in that vote. In the second place, the United States did not want to be labelled anti-Arab, and it risked being labelled anti-Israel in its vote. In the third place, it must have hoped to prevent the Arab countries from moving into the arms of the Soviet Union. Some success in the first two goals has been achieved. Nor have the Arab states rushed to the Soviet side. Egypt and Syria may not be acting as an alter ego of the Soviet Union, but they have not yet gained dominance in the Middle East. Arrangements were made to work at opening the Canal, and insofar as the Middle East's economy is dependent on the Canal, it is working.

However, with all of that accomplished, it is not yet clear that the United States has emerged successfully from the imbroglio. It has said in the Eisenhower Doctrine that it will extend aid to any country in the area that requests it. The aid will be of a military or economic character. The United States cannot play a stronger part without violating its own standard of non-interference. It remains to be seen whether that is enough

to keep the Communists from success in the area. It surely is an uneasy peace that prevails there. The United States so far has maintained an anti-Communist position without interfering in the domestic affairs of these countries. The Communists are not yet finished in the area. There are still many issues that can disturb the uneasy peace. It is not easy to be anti-Communist and anti-colonial in a region that has so recently emerged from colonial status. That is all the more the case when the region is so rich in so valuable a mineral as petroleum in the contemporary world.

The activity of the United States has followed a complicated pattern here. There must be many persons who think that the price has been too high and the reward too small. The United States has no assurance that its prestige will carry it through another difficulty in this area. The Arab states have clearly retained their freedom of action. There is no evidence that the animus against Israel is lessened, much less disappeared. Egypt and Syria have not been injured in any way and they have now been united. Yemen, too, has joined that combination. There is one potential gain in the incipient union of Iraq, Jordan and Saudi Arabia in a common grouping, for there is some evidence that these countries do not desire their future to be under the domination of either Egypt and Syria, or the Soviet Union.

The anti-Communist policy of the United States may be discerned, even though it is not always crystal clear. Is there more to the policy than anti-Communism? In this area the answer is that anti-Communism will enable these countries to develop independently. Freedom for political development is then the positive side of United States policy. The United States has been generous in the extension of loans and technical aid, so as to enable these countries to develop their capacity to provide more adequately for their inhabitants. That type of development is slow and requires long periods of time, for it involves the education of a population for a new kind of livelihood.

IV.

The United States has maintained a consistent respect for the United Nations Organisation. It seems clear in retrospect that the United States had hopes that a new kind of international world could be developed following World War II. That world would be one in which each nation could develop to suit its own predilections. The United Nations would provide an agency to assist in the development of common undertakings that would accompany those predilections. If that were the hope of the United States, it was not long in being destroyed. Universal international organisation has been maintained at the price of insignificant action. Regional or sectional agreements have become the more important kind of agreements in the post-war world, but that development came when it

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became clear that the allies of World War II had different visions of what the future should be. In short, the Cold War has emerged from the conflicting visions of the Communists and the anti-Communists. A Cold War is a curious phenomenon. It can get "hot" enough to become a fighting war, but it is not clear how it can get colder without getting worse, too. Similes and metaphors have their international troubles, too.

The manifestation in the United Nations of the different views of the world has shown itself in contests over membership. The Soviet and its associates have sought to restrict the admission of new members where that would have the effect of favouring their opponents. The outcome has been a sort of agreement that equal numbers will be admitted that are equally divided between the two sides.

In the early investigations by the United Nations of the principles for an international agency to handle the developments in the atomic field, there was conflict on the scope of international control. In general, the Western countries have favoured an international control with authority to go into the member countries and investigate on its own volition. The Soviet countries have adamantly opposed any arrangement that conceded such a right to an international agency. That has been the core of the conflict between the United States and its associates and the Communist International in the efforts to reach agreements on other types of military weapons and equipment. Whatever the motivating sentiments in the Soviet countries, they have not favoured international supervision.

The United Nations Charter provided that the Security Council should handle disputes between members or others where there was likely to be a shooting war. The Permanent Members of that Council were required to agree before action by the United Nations could be taken. The disputes were managed more or less satisfactorily until the Korean matter was raised there. As was stated earlier, the Council voted for action in the absence of the Soviet Union. The Council has not had such an opportunity since, for the disputes that would justify action at that level will almost certainly involve a party on the one side or the other in the Cold War. The so-called veto has thus effectually frustrated the performance of this function of the Council. The United States has sought a counter-weight in the Assembly. That body can only advise the members, but if a substantial majority of the Assembly advises, the advice then can be followed by those states in agreement. Several troublesome issues have been handled in the Assembly rather than in the Council for that reason. The United States has urged and assisted in that activity. This has led to the curious result that the United States, who had insisted in 1945 on the veto, is now one of its opponents. In some degree, the Council has become the inactive agency and the Assembly has become the active agency.

The most striking development, however, has been with regional agreements. The Charter acknowledged their existence, but it also has clearly

sought to render such agreements subject to the control of the wider international organisation. With the development of the Cold War within the United Nations, the members have resorted to the regional agreement as a means of gaining the security that the United Nations has been unable to provide. NATO, SEATO and METO are the evidence of the revolution in the international standing of such agreements. The Communist side also has its regional agreements. The "evil," if evil it be, is to be found on both sides. Indeed, one may almost say with complete accuracy, that the famous aphorism about balance of power is now completely operative. An action on the one side is countered by an equal action on the other side.

The United States has sought to make the maximum use of the facilities of the United Nations. In part, that undoubtedly is pride of participation in an organ that it had a share in building, but it also has another and more fundamental role. The United States has sought to separate its activities from those of its associates when the action carried the likelihood of being called imperialistic or colonial in character. The form which the United States' action takes varies according to the circumstances. In the recent troubles in Indonesia, the United States has contented itself with simply saying that it was not interfering in any way. In the Suez matter, the form of the action was to support the United Nations and to refuse to comfort Britain and France in any way. In other instances, the act of dissociation has taken other forms. It is a consistent feature of United States policy. The United Nations' meetings and votes have allowed the United States to demonstrate by votes and speeches that it is opposed to some of the activities of its European associates. Often enough, the latter find United States behaviour incomprehensible.

The opposition of the United States to summit meetings can be traced in great measure to the view that such small meetings of the great powers obviously means the recognition and approval of great power politics. The Wilsonian principle of open covenants openly arrived at still has its devotees among United States men of affairs. Perhaps it is a carry-over to the international field of practices in the domestic political field. Other countries seem to have difficulties understanding that kind of political custom in either field.

It is not meant to say that United States policy has always been right or sound or wise, but only to say that there is a rational ground on which it rests. The goal has been and is primarily to prevent the expansion of Communism without at the same time engaging in the kind of international behaviour that is traditionally associated with power politics. That requires that the smaller States have their say in the operation of the world in which they live, and that adequate means be furnished them to have their say. The United Nations Assembly provides the place and the institution. The practice of submitting disputes to discussion allows the public opinion of the world to be expressed, and perhaps to settle the dispute as

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world opinion thinks it should be settled. If the opinion of the world favours the Communists, the United States will be in a "pickle," but so far this has not been the case.

V.

The picture that has been drawn so far has made anti-Communism the main goal of United States policy. The view that a preventive war is the best way to the kind of world that is wanted has not been strongly held, although there have been advocates of such a war, both within and without United States governmental circles. The main undertaking has been the search for viable alliances, which would build up a strong force against Communists. Associated with this have been large expenditures for military equipment for the development of atomic weapons, and for aid, either as loans or grants and/or equipment to allies. To postpone the shooting part of the possible war has been certainly an important feature of the United States policy throughout this period. It is now hoped that the shooting war may be deterred for an indefinite future.

There have been other important features of foreign policy in the post-war period. The racial and color bans have been removed from the immigration laws. Quotas have been retained so that the immigration change is minor in quantity, but major in principle. The Reciprocal Trade Agreement programme has been continued with lowered import duties. Support has been given to the various international agencies working in the variety of fields. Loans and grants have been made to many nations in all parts of the world. Sometimes restrictions have been put on these actions that relate them to the anti-Communist policy.

With all the focus that has been given here to anti-Communism, it may be asked again whether the United States policy is an adequate one for the present-day world. It is not without irony that George Kennan, the author X of the 1947 article mentioned previously, has recently given the Reith lectures in Britain. He suggests that changes have taken place in Russia that justify a re-examination of the policies that have been followed by the anti-Communist coalition. There is little evidence that the nations participating in the regional agreements concur in that judgment. Both SEATO and METO have recently met and affirmed their intentions to continue. NATO has also indicated that the working arrangements are to be further developed. Lines are being drawn between the three organisations.

So the Cold War continues. The end is not yet in sight, and the co-operative efforts continue. The policies of the United States have been adapted to its friends and allies. The political situation inside the United States provides firm support for continuation of the present patterns in the future. That will be so until those patterns are rent by forces not now visible.

Note

A Survey of Soviet Education

By L. A. Owen

In President Eisenhower's State of the Union Message to the U.S.A. 85th Congress, January 9th, 1958, occur three passages particularly worthy of our notice on this topic: firstly,

"But what makes the Soviet threat unique in history is its all-inclusiveness. Every human activity is pressed into service as a weapon of expansion. Trade, development, military powder, arts, science, education, the whole world of ideas—all are harnessed to this same chariot of expansion"; secondly,

"Admittedly most of us did not anticipate the intensity of the psychological impact upon the world of the launching of the first earth satellite. Let us not make the same kind of mistake in another field by failing to anticipate the much more serious impact of the Soviet economic offensive"; thirdly,

"In the area of education and research, I recommend a balanced programme to improve our resources, involving an investment of about a billion dollars (i.e., £A500,000,000 approx.) over a four-year period. (This is designed principally to encourage improved teaching quality and student opportunities in the interests of national security. It also provides a fivefold increase in sums available to the National Science Foundation for its activities in stimulating and improving science education."

For those who have not followed attentively Russian affairs, it must indeed be startling to consider the current impact of the Russian Revolution of October (November), 1917. Since that date during the last forty years a cultural or educational transformation has occurred in the regions controlled from Moscow. In 1917 the majority of the subjects of Tsar Nicholas II were illiterate—as many as 76% of those nine years of age and upwards. Among the female section of the population, the proportion was 88%. From the literate 24% came the intellectuals or "intelligentsia" whose dissatisfied members provided the spearhead for the revolutionary movements of 1905 and 1917. It must not be forgotten that it was the same literate 24%, or a proportion of them, that had to provide the basis for the present-day scientific and technological advance. The Russian industrial revolution did not begin in 1917 or even 1928. It had started effectively in the 1890s. Even some features of current Soviet educational organisation have their roots in pre-revolutionary practice. For instance

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one educational authority did not cover the whole field. The Ministries of Finance and War had their own schools.

Today every Soviet citizen has access to at least a seven-year period of schooling, starting at the age of seven and subject to compulsion. It is claimed that by 1960 everyone, both in city and country, will have the possibility of a ten-year secondary education to the age of 17. Between 1917 and 1957 the number of students in general educational schools increased threefold. The three senior grades or forms in secondary schools contained six million students; i.e., forty times as many as in 1917. Every fourth person is now claimed to be a student, not necessarily full-time, because a considerably developed correspondence-course system caters for those still engaged in work.

Whereas in Tsarist times the Russian language was the sole teaching medium, today 59 languages are employed for this purpose. Forty minor nationalities mainly in Asia—have been given their own written scripts.

Higher educational facilities are now available for the first time in White Russia (Belorussia), in the Asian Republics of Uzbekistan, Kakakhstan, Kirgizia Tajikistan and Turkmenistan and in Caucasian Armenia. During the years 1918-1957 3,800,000 specialists were trained in higher educational institutions, while 6,200,000 received a secondary specialised education. The first type has increased sixteen times and the second thirty-seven times since 1914.

A striking feature of the system is the predominance of women in technical schools and other secondary specialist institutions (52%). In higher education women represented 51% of students. Scientific workers included 36% women, and research workers for higher degrees 36% women.

In 1953, 71,000 engineers were turned out, contrasting with a figure of 26,000 for contemporary U.S.A. By the end of 1956, 6,300,000 specialists with secondary or higher qualifications were in the public service, 33 times more than the pre-1917 figure. In 1960, 4 million more specialists will have been trained. Of these it is stated that 650,000 engineers and other specialists will go into industry, transport, construction and agriculture.

Scientific institutions now number 2,756, nine times as many as forty years ago. Scientific workers have reached 239,900. Between 1939 and 1956 they have increased two and a half times. The Central Asian Republics have shown a greater rate of increase. In 1955 there were 765 institutions of higher learning with an aggregate student body of 1,867,000 including correspondence-course students). A slightly larger number (1,960,500) attended or corresponded with vocational and other specialist secondary establishments in the same year. In 1956 there were 9,800 holding the senior research degree of "doctor of sciences," and 85,700 with that of "candidate of sciences" (equivalent to a research masters' degree).

Four and a half times as many completed research degrees in 1956 as in 1940. Eleven times as many research workers secured research degrees in 1956 on a part-time basis as compared with 1940.

Perhaps this note on Soviet Education would not be so pertinent at the present time if mention were not made of the Academy of Sciences of the U.S.S.R. Each Union Republic (e.g., Ukraine, Georgia) possesses an Academy. That of the R.S.F.S.R. (the principal Union Republic) has twelve branches, some in very remote parts of the country. A new branch is projected at Novosibirsk in Siberia.

This Academy of Sciences of the U.S.S.R. is descended from Peter the Great's Imperial Academy of Sciences established in 1724 at St. Petersburg, his recently-created capital. It had three departments before the Revolution of 1917: physico-mathematical sciences, Russian language and literature and historico-philosophic sciences. In 1934 Moscow became the headquarters. In 1927 its departments were reduced to two: physico-mathematical and social sciences. In 1956 technical sciences were included. Since 1939 there have been eight departments: physics and mathematics, chemistry, geology and geography, biology, technical sciences, history and philosophy, economics and law, literature and language.

In 1931 soon after the onset of the planning period, Academy researches were arranged to be grouped as follows: first, "problems of the fundamental basis of the structure of matter"; secondly, "problems of the study and use of the natural resources of the U.S.S.R."; thirdly, "problems associated with the development of energy"; fourthly, "problems connected with gigantic new construction developing in the Soviet Union"; fifthly, "chemistry of the U.S.S.R."; sixthly, "study of the organic world" (e.g., agricultural crops); seventhly, "social-historical problems." These branches of investigation have remained the main fields of activity of Academy researchers. It might be called to mind that the Soviet Academy is unique as being a body controlling the whole country's intellectual life. This intellectual life, one must emphasise, does not appear to be completely bound up with the physical sciences as some imagine. The most recent list of works in the field of history that has come to hand from the Academy Library of Social Sciences includes researches in history to the number of ninety-nine, ranging from fifteen titles bearing upon Ancient Greece and Rome, through the Middle Ages to the present century and embracing both Russia, Britain, Continental countries and the U.S.A.

To conclude these remarks on Soviet educational matters, perhaps a reference to the training of engineers in the Soviet may be timely. It is of course to engineering and technology generally that many people's minds are now more specifically directed. Nikolay Ivanov was trained as an engineer on the Kuibyshev Construction Engineering Institute, Moscow, during the years 1935-40. He left the Soviet during World War II. While

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his experiences are not recent, yet Ivanov does furnish evidence of the programme of studies of a Soviet engineer and throw light on a profession of no little significance in the modern industrial world. His career is described in "Soviet Education," London, 1957.

Ivanov's course extended over five years at the Kuibyshev Institute which, he informs us, sets the standard for similar Soviet Institutes elsewhere. A diploma project (analogous to a university thesis) is the final objective of the engineering student. Engineering Institutes were less affected than others by the early Soviet educational experimentation. But for hours a week the prospective engineer has to study political economy (of Marxist type), historical and dialectical materialism and the economic policy of the Soviet State. Engineers had in Ivanov's time fewer Communist party members among them than in other branches of education where they often equalled fifty per cent.

The schedule of classes and examinations has always been strict in Soviet higher educational institutions. Attendance is obligatory. Almost all students complete their studies in the normal five years, devoting the first four to academic courses and the last to work on a diploma project or thesis. A foreign language (German or English) is necessary, as is also physical education. In Ivanov's day these two requirements were not presented at a high level and they were unpopular with students. In the summer a course of practical work had to be pursued at a factory. On this a report had to be written. There were no fees for higher education until 1940. (They have again been abolished since 1956.) Most students received small government scholarships for subsistence. In the fee-paying period the students with best school records were subsidised by the Government. Dormitories were available for students who did not live in the city.

The planning period of 1928 led to expansion in the higher educational institutions which saw their student bodies increase four times in 1933 and six times in 1938. Engineers (like teachers) received top priority. In the early planning period teachers were chronically short. Often engineers and technicians from neighbouring factories were brought in to lecture. 1935-36 saw a return to the pre-revolutionary methods of instruction. Competitive entrance examinations became of major importance. The mid-thirties saw the Institutes filling with students of normal high-school age.

Entrance examinations are standard for all Soviet engineering schools. Examinees are expected to pass at the ten-year school leaving certificate level: Russian, mathematics, physics, chemistry, draughtsmanship, history of Russia and U.S.S.R. Freehand drawing is an essential for construction-engineering.

What is the programme of studies in a Soviet engineering Institute? The first two years include "general technical courses." The third, fourth

and fifth years include "specialised technical courses." The classes used to consist of twenty-five to thirty-five students for general technical subjects such as mathematics, mechanics, strength of materials and draughtsmanship. At the beginning of the third year, the future engineer has to elect a special field within one of the faculties. The Kuibyshev Institute allowed students to specialise from the first year and, on admission, then had to nominate their chosen faculty from Civil and industrial construction, Hydraulic engineering construction, Highway construction, Mechanisation of construction, Water supply and sewerage, Heating and ventilation. (The first two faculties were the largest.)

During the first two years the following subjects were studied by Ivanov: higher mathematics, theoretical mechanics, descriptive geometry, draughtsmanship, freehand drawing, physics, chemistry, hydraulics, structural materials, strength of materials, geodetics, a foreign language (German or English), physical education and political subjects. Those who had not been in the armed forces had to train as reserve officers in the engineering corps. That involved a sixth year. There were summer military camps of two months' duration, one each year for two years.

The faculty of hydraulic engineering devoted the last three years to the following specialised subjects: hydrology, hydrometry, hydraulic construction, hydro-technical machinery, structural mechanics, metal structures, reinforced concrete structures, wooden structures, bridges, foundations, parts of buildings, production procedures, reclamation work, fire production, political subjects and foreign language.

The final year—the sixth year for those doing military training, and the fifth for others—is concerned with the preparation of the diploma project. The Institute week (according to Ivanov) lasted over six days, including Saturday. Three days were of six hours from 8.30 a.m. to 2.20 p.m., and three of eight hours from 8.30 a.m. to 4.10 p.m. Attendance is compulsory at lectures, expulsion being the final punitive sanction.

George Counts, Emeritus Professor of Education, Teachers' College, Columbia University, declares in his Foreword to "Soviet Education," London, 1957 (from which, as shown, the above Ivanov's engineering training is described): "The role of education in Soviet society is essentially and profoundly political . . . The Soviet authorities subscribe unreservedly to the dogma that throughout history organised education has been the handmaiden of politics . . . The true Bolshevik scoffs at the very idea of 'freedom in education' in any 'bourgeois' state . . . (Education) embraces the entire cultural apparatus, all the agencies involved in the moulding, the training and the informing of the minds of both young and old . . . The Soviet system includes no college of liberal arts and all the faculties in the higher schools, including the universities, prepare students for professional careers.

Review

*"DEMOCRACY IN WORLD POLITICS", By Lester B. Pearson.
(Oxford University Press.)*

"Democracy in World Politics" is made up of a series of lectures given by Mr. Pearson at Princeton in 1955, "this year of grace and grim anxiety," as he saw it then. The most topical of the lectures today in another such year—we must take it that all our years are weighted with anxiety, though only a few people do the worrying—is one on the slender merits of summit conferences. Mr. Pearson, it is well known, has a strongly-developed instinct for negotiation—no practising statesman can have a stronger: "In my view, nothing could be more dangerous in this divided world than a final and complete failure of man's ability to communicate with man across whatever differences of regime or race or economic conditions, across whatever curtains of fear, or iron or prejudice may exist." But diplomacy ought to be left to the diplomats. If they fail to agree the first time they can go on trying or "at worst fail without fury." But when foreign ministers or heads of governments meet "with their inevitable retinues of press, radio and television companions, with clever men to look behind the scenes and even cleverer ones to supply the scenes behind which to work, then things tend to become confused and difficult." In a rather typical Pearson aphorism a summit conference is apt to become the public relation officer's dream, but the negotiator's doom.

The danger is, of course, that the almost certain failure to come to any agreement will be taken by an over-expectant public to mean that no agreement is possible. Which is why, according to Mr. Pearson, Communist governments work out their propaganda tactics so carefully and so long before the conference opens, and why their exploitation of failure, by attributing it to others, continues long after the conference ends.

The 1955 summit conference, which presumably Mr. Pearson had chiefly in mind, was supposed to have recognised at least that the nuclear bomb had imposed a military stalemate on the grand scale and that a war of the Powers was therefore "unthinkable." The purpose of another summit conference (one assumes) would be to dissipate, if possible, some of the tension (not all of it post-Sputnik) that makes war anything but unthinkable. Mr. Pearson was alarmed in 1955 by what he calls the "mystique of the atom," as though it were quite certain that out of its very power of annihilation the human instinct for self-preservation had fashioned security. In the best of his lectures, "Proportions of Force," he took on the problem, then much less documented than it is today, of the small war and the small atomic weapon from which might come the megaton bomb and the Last World War. Ahead of Henry A. Kissinger "Nuclear Weapons and Foreign Policy," Harper and Brothers, New York) he arrived at the doctrine of "reasonable or measured retalia-

tion," by which the use of force is limited to the purpose for which it is being used. He does not, like Kissinger, propose a sort of gentleman's compact between East and West to limit local wars by limiting both aims and weapons, but the doctrine does imply that at least a tacit agreement to this effect is possible. In the 20th century (unlike the early 18th) that seems to be a *reductio ad absurdum* after two total world wars. But there is Korea to show that wars can still (or again) be limited by a mutual unwillingness to take the risks of removing the boundaries.

The essential limit is the aim, which means the subordination of strategy to policy, and so of the soldier to the politician. This Mr. Pearson takes to be true significance of the Clausewitz doctrine that "war is the continuation of policy by other means." The central point of the doctrine, he suggests, "lies in a recognition that military force should be regarded as an instrument of foreign policy; that sound strategy has never been purely, or even primarily, a military function. I doubt whether," he adds, "above the tactical and logistic level, there has ever been sound advice or wise decisions which have been exclusively military." One imagines that Mr. Pearson put down that last sentence with some feeling. Certainly he is right in saying that the subordination of foreign policy in the two world wars to such "generalised military objectives" as "total victory" and "unconditional surrender" has been mainly responsible for the disenchantment of victory.

Mr. Pearson is eloquent (without being at all enlightening) about the United Nations, discreet on the subject of running coalitions and apt to be platitudinous about the "Democracy" and of his thesis until he comes to the future of the Western World's relations with Asia. Here he strikes a note which is not commonly heard, at any rate not in Australia. While acknowledging, of course, the importance of Western economic aid to Asia, he points out that it is worth reflecting on that this aid is the basic plank of Communist propaganda throughout Asia, the line being that the West has nothing to offer but technology—plumbing instead of philosophy and Coco-Cola in place of Confucius. True, the Soviet Union offers aid, too, but it does not stop there. It deals in ideas, and not necessarily or directly in Communist ideas. Mr. Pearson points out that a very large percentage of the "serious" books in the humanities and other fields which are available in Asian and European languages at prices which Asian students can afford are the product of Communist publishing houses. "It is paradoxical," he concludes, "that in relations between civilisations it is not the Democracies of the West, but the Communists, professed materialists, who, concealing their reactionary and enslaving goals, exploit the truth that man does not live by bread alone, nor defend himself solely by arms."

NOEL ADAMS.

The acting-editor regrets that it has not been possible to provide the usual number of reviews in this issue due to space limitations. It is hoped to provide an expanded "Book Reviews" section in the next issue.

